

Mr Carter fails to budge Indians on nuclear curbs

Both sides were embarrassed during President Carter's visit to Delhi yesterday, when a microphone picked up snatches of a private conversation between the President and Mr Vance, his Secretary of State. Mr Carter was overheard saying that a "cold, frank letter" be written to Mr Desai about nuclear safeguards but the Prime Minister said later he was not upset.

Microphone picks up unguarded remark

Richard Wigg, a British journalist, said that a microphone switched on at the White House before formal talks between American and Indian officials began in Delhi yesterday disclosed that President Carter had told Mr Desai, the Indian Prime Minister, "pretty damn close" against additional controls on the supply of enriched uranium. More embarrassingly, it picked up a remark by the President to Mr Vance, his Secretary of State, that "I think we ought to write him another letter, just cold and very frank."

Officials on both sides later sought to play down the remarks. But they enlightened everyone that what is basically the issue of nuclear non-proliferation, the single most sensitive question between the two countries, had been brought up by Mr Desai with characteristic forthrightness when the two leaders had their first personal encounter yesterday. President Carter, who arrived here on his seven-day tour, was confiding in Mr Vance as he filled him in on last night's talk without aides while leaders and ministers of the two countries assembled around a large table in the presidential palace, where Mr Carter is staying. He and Mr Desai have already corresponded on the nuclear problem.

Reporters present did not hear the remarks but a tape recorder caught them and afterwards a technician made them available. Mr Carter told Mr Vance he had informed Mr Desai that he was authorizing a second transfer of fuel, adding: "But it did not seem to make much impression." The incident came only a few days after Mr Carter's embarrassment in Poland when a staff translator provided an inaccurate rendering of his address. Briefing reporters afterwards along with Mr Jody Powell, the President's spokesman, Mr Jagat Mohan, India's Foreign Secretary, indicated that the authorization would be for 7.6 tonnes of enriched uranium for the Tarapur nuclear plant, built with American assistance in the 1960s and situated near Bombay.

Search begins for clues to Bombay air disaster

Bombay, Jan 2.—An aviation official said today he was "very suspicious" about the cause of yesterday's disaster in which an Air India jumbo jet carrying 213 people exploded in mid-air and plunged into the sea off Bombay. "Modern planes do not fall out of the sky just like that. The whole thing is very suspicious. But we cannot speculate now and we do not know

whether it was sabotage or some other cause," he said. An Indian Navy spokesman said that no survivors had been found and there was no hope of any. The flight recorder is still being sought. Mr P. L. Kausibik, the Aviation Minister, visited the area today and announced that a High Court Judge will conduct a radio investigation. Reuters, Agence France Presse and AP.

Mrs Gandhi forces split in Congress Party

From Our Correspondent
Delhi, Jan 2

The Congress Party has split after a revolt by the supporters of Mrs Indira Gandhi, former Prime Minister of India. The new faction, calling itself the "Indian National Congress", chose Mrs Gandhi as its president.

The two-day "national convention" convened by Mrs Gandhi ended here today after passing a resolution that the delegates at the convention represented the majority in the party.

Convention spokesmen said 347 of the 664 members of the All-India Congress Committee had attended but some observers put the figure at under 100. The committee is the representative body that elects the president.

Mr Brahmananda Reddy, president of the Congress Party, representing the main faction, has said that the election of Mrs Gandhi was "unconstitutional and illegal". He characterized the convention as "an effort of a few individuals to divide the party."

In her presidential acceptance speech today, Mrs Gandhi declared that she would build up her party with the slogan: "Forward to socialism."

The party would take up the causes of underprivileged and oppressed sections of society, she said. She would remain president only for a while. There would be early organizational elections and then she would continue as a soldier of the party.

Mrs Gandhi said it gave her no pleasure to break with her brethren in the Congress. She had undertaken the venture because Congress had failed to strike out on a new path and build itself up, and because it had not hit out strongly enough at government policies inimical to national interests.

It is a foregone conclusion that Mrs Gandhi and her supporters will be ousted from the Congress Party. This may evoke a long-drawn legal case, both sides claiming to be the real Congress.

This is what happened when the 92-year-old party split in 1969. Then the old split, including Mr Morarji Desai, the present Prime Minister, were thrown out.



The Prince of Wales with the hounds of the Quorn Hunt at Widmerpool, Nottinghamshire, during its new year meet yesterday.

Government aiming for 5% pay limit

By Michael Hatfield
Political Reporter

Mr Callaghan foresees wage increases of 5 per cent when phase three and the 12-month rule on pay settlements end in the summer.

Although no firm figure has been settled, and none is likely to be agreed by the Cabinet until March at the earliest, Mr Callaghan made the single-figure reference in an interview on BBC Radio's World at One programme on New Year's day.

He said that the level of wage increases would determine the level of price rises. He expected 10 per cent increases this year, but hoped for 5 per cent rises in 1979, a figure that required corresponding wage increases.

Ministers realize, however, that while a single-figure phase four is the ideal, it will be difficult to get the unions to think along similar lines.

The unions do not recognize the 10 per cent earnings ceiling as such.

Mr David Barnett, chairman of the TUC and general secretary of the General and Municipal Workers Union, said yesterday: "The policy of the TUC is for a return to free collective bargaining."

"The level of settlements will be a response to the economic conditions prevailing at the time. It is up to the Government to propose those conditions, but there can be no stage four."

One school of thought inside the Cabinet is that union leaders may have misjudged the feeling among the rank and file in the autumn when they moved away from the concept of an incomes policy, and that by and large the membership has recognized the benefits of restraint.

For that reason, it is argued, the union leadership may want to exceed the 10 per cent limit as a continuing policy after phase three.

Others feel that talks with the unions can hardly be meaningful until after the budget, when the TUC will be able to see what the Chancellor proposes to do to cut taxation, restore some of the cuts in public expenditure, and reduce the rate of unemployment. Party leaders' call, page 3

Cabinet files to keep atomic secrets for another 20 years

By Peter Hennessy

Among the 1947 Cabinet papers that will not appear today at the Public Record Office on expiry of the 30-year rule are minutes of the historical meeting at which a handful of ministers took a decision, in the utmost secrecy, to manufacture a British atomic bomb.

Only three copies were made of those minutes, taken at a specially convened Cabinet committee, GEN 163, with the Prime Minister, Clement Attlee, in the chair. They will not be made public until 1998.

Indeed, from the papers available at the Public Record Office at Kew today it is impossible to judge that the meeting of GEN 163 on January 8, 1947, was the occasion of a great event. From the record now available the public will know only who was present and that item one of the agenda was "Research in atomic weapons."

The note taken by the committee's secretary, Mr D. H. F. (now Sir Denis) Ricketts, states: "The meeting had before them a memorandum by the Minister of Supply covering a note by the Controller of Production (Atomic Energy) (GEN 163/1). A record of the discussion and of the conclusions reached is contained in a confidential annex to these minutes."

Beside the last sentence an official of the Cabinet Office records section has written: "See CAB 104/285. CAB 104 is a classification used for documents with a 50-year embargo on their release."

The official history of the United Kingdom Atomic Energy Authority, published in 1974, contains much information, however, about the meeting of GEN 163. Professor Margaret Gowing's account in volume one of *Independence and Deterrence* makes it clear that the eventual manufacture of a weapon was implicit in the production of fissile material authorized on a large scale in 1946.

But Lord Portal, Controller of Production (Atomic Energy) and author of the paper GEN 163.1, felt he should ask the Prime Minister if he wished the matter to be referred to him for a formal minute. He also wanted Attlee to approve an especially stringent administrative procedure designed to keep the secret of the British bomb.

The meeting was delayed until Ernest Bevin, the Foreign Secretary, could attend. As so often in those years, his presence was the dominating voice. Professor Gowing records him as saying: "We could not afford to acquiesce in an American monopoly of this new development."

The meeting agreed that work on an atomic weapon should be undertaken, and approved the special administrative arrangements proposed by Lord Portal.

The reason for the 50-year embargo on the minutes of GEN 163, despite the summary of their content in Professor Gowing's official history, may be the continuing sensitivity of technical material contained in Portal's memorandum, which has also been withheld.

Professor Gowing said yesterday: "It is several years since I worked on these papers and I do not remember their details. But the release of atomic energy papers is especially difficult, particularly because of the residual details which may be concealed in papers that do not seem secret at first glance. This is particularly so because of our agreements with the Americans which date back for many years; about the release of atomic information."

Attlee never took the decision to build a British bomb to the full Cabinet. Most of its members knew nothing about it until shortly before A. V. Alexander, the Minister of Defence, announced it in a job-key fashion in a parliamentary question almost 18 months later.

Eleven years after the meeting of GEN 163, Attlee told Professor John Mackintosh in an interview: "I thought some of them were not fit to be trusted with secrets of this kind."

The four ministers who attended the single, crucial meeting of GEN 163, in addition to Attlee and Bevin, were: Herbert Morrison, Lord President of the Council; Alexander, Minister of Defence; Lord Addison, Secretary of State for Dominion Affairs; and John Widdow, Minister of Supply and Aircraft Production. 1947 records, page 2

Employers 'fed up' on eve of fire talks

By Donald Macintyre
Labour Reporter

Any possibility of an initiative that might end the seven-week firemen's strike appeared to have evaporated yesterday when Mr Rees, the Home Secretary, later made strongly worded statements from the union's and employers' sides.

Mr Rees is to join the local authorities and the Fire Brigades Union this afternoon in talks at the Home Office requested by the union last week.

Hopes of a settlement were not improved yesterday when Mr Martin Braanan, chairman of the employers' side of the national joint council for the fire service, said he thought local authorities were "fed up to the teeth with the firemen."

Mr Braanan, a Conservative county councillor in Cumbria, said the employers had "put up with nonsense from the firemen for years" and said he could see little purpose in today's meeting other than that the union had asked for it.

He said the employers were "very determined" and added: "For years under the threat of a strike they have conceded all sorts of benefits. They have probably far better terms of working than industry."

Mr Jack Haworth, the union's vice-president, by contrast told a rally of 1,000 striking firemen that the employers were playing a political game. He added: "I do not honestly believe that they are aware that there is a strike on."

Mr Haworth said the union was entering today's talks from a position of strength, that the strike had secured a position for firemen in the future, and that Mr Rees should end his "stupid rigidity and show a little common sense."

Although still theoretically committed to seeking a 30 per cent increase from last November, the union is likely to seek cash improvements that would not necessarily breach the 10 per cent guidelines.

The only room for negotiation appears to be the timing of a formula that would link firemen's earnings to those of skilled industrial workers from 1979.

No Tory guarantee: The Conservative Party could not guarantee to link firemen's pay with that of skilled manual workers if the party came to power, Mr Whitelaw, deputy leader of the party, said in a letter to Mr Ian Wrigglesworth, Labour MP for Teesside, Tboraby (the Press Association reports).

Mr Wrigglesworth had written to Mr Whitelaw after meeting local Fire Brigades Union leaders.

Fire cost up: Fire damage cost an estimated £42,700,000 during November, when the strike started, compared with a monthly average of £18,500,000 in 1977 and £19,300,000 in 1976.

Witnesses to bombed car sought

By Craig Seton

The anti-terrorist squad at Scotland Yard yesterday appealed for witnesses to the movements of a car belonging to the Syrian Embassy shortly before it exploded in Mayfair, London, on New Year's Eve, killing two members of the embassy staff.

The two men were Mr Jawbat Awad, aged 40, the medical attaché, and Mr Sayez Shibly, aged 27, the embassy driver. They were sitting in the front seats when the bomb went off.

No motive for the killings has been established. The car, a blue Volvo carrying diplomatic plates, was parked at the junction of Stamford Street and Ashmole Street when it exploded at about 9.35 pm on Saturday, shattering shop fronts and windows.

Scientists have found that up to a pound and a half of explosives caused the blast, but have yet to discover whether the bomb was inside the car and if so, how it got there.

Investigations are being led by Commander James Nevill, head of the anti-terrorist squad. Interviews with Syrian Embassy staff have shown that the car was parked outside the embassy in Eaton Terrace between 8.30 pm and 9 pm on Saturday, but no one has been seen in the explosion its movements are unknown.

The car was parked only a few hundred yards from Piccadilly Circus, where large crowds had gathered to see in the New Year. But it is not known how long it had been there, or the reason.

The Syrian Embassy said inquiries were being left to Scotland Yard. Mr Awad, a married man with two children, had been in London for a year. He lived in Shepherd's Bush. The embassy said his job was to visit the Syrian consulates in London for medical treatment and his duties could take him anywhere in the capital at almost any time.

Mr Shibly, a married man with three children, lived in Chiswick. He had been with the embassy for 18 months.

Embassy bomb is defused

By Peter Hennessy

Bonn, Jan 2.—A powerful bomb found at the Egyptian Embassy here was defused today two minutes before it was due to go off, police said.

The device, containing about 4½ lb of big explosive with Russian markings, was apparently thrown over a fence, landing a few yards from an oil tank in the boiler room.

Two minutes before it was due to explode at noon, an embassy employee found the bomb and ripped out the time fuse. It is not yet known who was responsible.—Reuters.

8,000 estimated killed in Cambodia battles

Casualties in the continuing Vietnam-Cambodia border battles could already be as high as 8,000, American diplomats estimated in Bangkok. As Phnom Penh closed its embassy in Saigon and flew out its ambassador—significantly, to Peking—the Vietnamese appealed to their neighbours to settle their differences by discussion over the table. But observers viewed the possibility of a Vietnam thrust into Cambodia and the seizure of the capital as not too fanciful. Page 4

Korchnoi backs down and plays on

Korchnoi has backed down and resumed his game with Spassky in the world chess candidates' match in Belgrade. Although the demands of his "ultimatum" have apparently not been met, he returned to his board yesterday after a personal appeal from the president of the International Chess Federation. Page 4

Basque peace move

Mass demonstrations planned by Basque leaders have been called off as a result of the Spanish Government's plan to grant limited autonomy to the Basque country. A legislative committee has approved an urgent application of new royal decrees on autonomy which will involve at least three provinces. Page 4

Lively day's cricket

Pakistan hit eight sixes off England's spin bowlers in a lively day's cricket when the second Test match began at Hyderabad. At close of play they had made 230 for five, Haroon Rashid scoring 108, his second century of the series. Mianudat 48 not out. Page 16

Forest held to a draw

Liverpool, Arsenal and Manchester City all won and closed the gap on the first division leaders, Nottingham Forest and Everton, who drew 1-1. Those at the bottom eased their fears of relegation except for Leicester City, who are now six points away from safety. Page 15

Honour criticized: A Labour MP has criticized Mr Jack Jones for 'hesitating' to accept an appointment as a Companion of Honour

Jerusalem: The World Zionist Organization has called on the Israeli Government to bolster settlements in occupied Arab territory by sending another 1,000 families to Sinai and 1,000 to the West Bank. Page 4

Letters: On the Moors murders, from Lord Hunt and others; on Civil Service pay, from Mr W. L. Keodall. Leading articles: Mr Callaghan's visit to India: Choice of nuclear reactors features, pages 5 and 10. Lord Cromer on how Britain can make the most of a golden opportunity: John Lawrence on what he would do if he were supreme ruler of all the Russias; Bernard Levin and the mystery of his roof; David Smith on life in the inner cities. Arts, page 9. Peter Wood interviewed by Sheridan Morley; Michael Church on *Silver Spoon* (BBC1); John Percival on a new *Coppelia* in Manchester; John Higgins on the first night of *Die Fledermaus* at Covent Garden; Joan Chisell on Jesse Norman's *Schubert* (BBC2). Sports, pages 15-17. A Harvey Thompson; the Ruler of Kuwait. Cricket: India in strong position against Australia in third Test; Rugby Union: Cardiff who first match against London, Scottish. Page 12

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Queen has cold

The Queen was unwell with a heavy cold yesterday and spent the day resting at Sandringham House. She missed attending morning service on New Year's Day at Sandringham Church but 12 members of the Royal Family were present. A crowd of more than 10,000 waited outside. Page 12

Director dies

Mr Harvey Thompson, aged 47, director and general manager of Times Newspapers Ltd, died suddenly on Saturday in St Peter's Hospital, Chertsey, to which he was admitted for observation on Friday. He leaves a widow and two children. Obituary, page 12

TERRIBLE SUFFERING AFTER INDIAN CYCLONE

The real horror and suffering of survivors of the recent Indian Cyclone is only just beginning. Oxfam's field staff who arrived three days after the cyclone report that there are many widows left with children. Two million have been made homeless, and there is no way they can support themselves. The destruction has been complete. They have lost crops, boats, fishing nets, carts, cooking pots... everything.

Oxfam has already sent emergency supplies. Now we desperately need money to begin the long process of reconstruction.

Please send whatever you can to help them rebuild their lives.

Here is my donation for £..... for the victims of the Indian Cyclone.

Name.....

Address.....

.....

.....

Continued on page 4, col 6

Please send now to the Indian Cyclone Appeal, Room T1, Oxfam, Freeport, Oxford OX2 7BR.

Please help now as time is desperately short, we will send you a progress report when we can.

OXFAM
Where the need is greatest

HOME NEWS

Big union merger plan may alter engineers' policy-making process

By Donald Macintyre

Labour Reporter

Leaders of the Amalgamated Union of Engineering Workers are discussing merger proposals that would greatly change its customary method of determining policy.

The union, which has 100,000 members, is made up of 10 craft unions whose members work in a wide range of engineering and manufacturing industries. The union's policy-making process has been a subject of controversy for some time, with some members arguing that the process is too slow and that the union should have a more direct method of determining policy.

The discussions, which began last year, would if successful create a new union with a policy-making process that would be more direct and more democratic. The new union would have a central committee that would be responsible for determining policy, and the craft unions would be responsible for implementing that policy.

The idea of a triennial conference, which the executive is considering seriously enough to pursue discussions on it with the EETPU, would almost certainly displace the unions' left wing, which it would have to abandon its customary sovereignty of an annual policy-making national committee.

The EETPU merger, however, remains only one of several options facing the AUEW's dominant engineering section in what will be a crucial year for determining its future, against the background of a 2.7 per cent decline in membership since 1970.

The executive, drawn from all four sections, is to meet later this month to discuss the move to the attempt to weld the loose federation, embracing the union's engineering, construction, foundry and supervisory sections, into a single organization with a common rule book and policy conference.

The moves towards full amalgamation have so far been blocked by the resistance of a majority of the engineering section's national committee.

The amalgamated executive may well decide to go over the head of the national committee by holding the membership in a final attempt to advance the full merging of all four sections.

However, such an attempt would almost certainly have to await consideration of the three sections other than engineering at their policy conferences in the early summer.

Labour irked by court challenges

Labour Party officials expressed concern last night that two Oxford graduates who have taken court action against the national committee might soon switch their activities to the Ilford, North constituency, where a by-election is due.

The two men, Mr Julian Lewis and Mr Paul McCormick, were the Newham, North-East party, in the constituency of Mr Reg Prentice. Their activities were criticized by the Prime Minister in a BBC radio interview.

Mr Lewis replied yesterday that the Prime Minister was concentrating on the unpleasant side of the remedy. The disease was the take-over of Labour constituency parties by clandestine Trotskyist communist groups. It has cost the Labour Party nearly £20,000 so far to defend legal actions by Mr Lewis and Mr McCormick.

Mr Lewis implied in an interview on the World at One yesterday that he and his colleague were being given financial backing by Labour Party supporters, but then appeared to modify the suggestion. At first he said he could not disclose his backers because they might be suspended from the party as a result. Later he said they were people concerned that the Labour Party was being taken over by communists.

Masters' union to admit women

The executive of the Assistant Masters' Association will at its conference in Cardiff today to allow the admission of women. Six have applied to join.

The two-year exemption for teacher unions from the effects of the Sex Discrimination Act, 1975, has now ended, and no teacher union can refuse to admit anyone on the ground of the person's sex.

Overcome by fumes

An attendant at Hyde Park underground car park and a mother with her small child were taken to St Mary's Hospital, Paddington, yesterday suffering from the effects of exhaust fumes after being built up suddenly in the evening.

Double Skytrain flight

Laker Airways operated two Skytrain services from Gatwick, London, to New York, for the first time last night: a 345-seat DC10 and a 168-seat Boeing 707, both full.

Cool and windy weather prevailed in 1977

England, Scotland and Wales experienced a cool and windy year in 1977, the London Weather Centre reported.

The first part of January was often cold with N winds and gales. Sleet and snow were frequent, especially between the 10th and 17th, when the outbreaks were heavy in the north. Snow lay in Guernsey on the 11th and 25-30cm (10-12 inches) of level snow was reported at Asford, Kent, on the 12th.

Freezing fog persisted all day in some places, while the temperature did not rise above minus 6°C (43°F) at Glenmore Lodge, Highland, in January 12 and fell to minus 17.8°C (0.0°F) at Braemar, Grampian, between the 17th and 18th.

The weather then became milder with S or W winds and occasional rain or sleet but the cold weather returned at the end of the month with freezing fog and snow.

The snow lay widely at the beginning of February, but a thaw set in on the 2nd and it became mild nearly everywhere until the 9th and in S districts for much of the month. The cold weather with snow returned to N districts, however.

There were severe gales in S England on the 18th and quite frequent outbreaks of heavy rain generally, especially between the 21st and 25th, when there was widespread flooding, and rain over high ground, especially in the Pennines, were blocked by snow. The last few days of the month were sunny in many areas.

Several places in E Scotland and the Midlands had their wettest February on record, at least since 1888 at Nottingham. The winter as a whole (December, January, February) was the coldest in S Scotland since 1952-63, and the

Employers oppose 'tax on success'

Employers in the engineering industry will oppose any attempt to introduce a wealth tax this year.

The TUC, which is made up of 100 trade unions, said today by Mr Astley Whitall, president of the Engineering Employers' Federation, in a new year message to chief executives of the 6,000 companies in the industry.

He said in a statement that members were horrified at the new attack on people who succeed in business, and added: "A wealth tax may turn out to be one of the key battles in 1978."

Mr Whitall referred to the unanimous adoption by the TUC-Labour Party Joint Committee of a policy paper urging legislation on a wealth tax in the first session of a new Parliament.

"It will destroy the fragile confidence which began to re-emerge in the latter months of 1977", he said. "But it is per-

Violent deaths in Ulster down to 111 last year

Although the bombers were at work in Northern Ireland as this year, the number of violent deaths during the year dropped by nearly two thirds against the previous year to the lowest total since 1970.

The death toll from terrorist action was 111, compared with 297 in 1976. Sixty-two civilians were killed, compared with 245 the previous year, eight members of the Royal Ulster Constabulary died (13); six RUC reserves (10); 15 regular soldiers (14); and 14 members of the Ulster Defence Regiment (15).

The number of large explosions dropped from 663 to 352, but as the Provisional IRA found increasing difficulty in obtaining explosives it launched a new campaign using incendiary devices.

A total of 607 incendiary bombs were planted throughout the year, of which 289 went off and 318 were defused. Shootings dropped from 1,781 to 1,038 and armed robberies from 800 to

Denial of pay black list angers Tories

Conservative MPs are angry about a suggestion by the Prime Minister on Sunday that a black list of firms which break the Government's pay limit was a figment of the media's imagination.

Mr Peter Walker, MP for Worcester and a former Cabinet minister, said: "The list must be a figment of the media's imagination. Mr Callaghan, speaking during an interview on the BBC radio programme, The World This Week.

Mr Norman Lamont, MP for Kingston upon Thames and a former policy spokesman for the industry, said yesterday that Mr

Callaghan's remarks would be raised by the Opposition when Parliament returned.

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1947 brought the coldest winter on record and an icy wind from the Kremlin

The time a young Harold Wilson left Russia empty-handed

By Philip Howard

Labour Reporter

The cure for looking back in wistfulness at the past is to go and read about it in the contemporary secret documents in the Public Record Office.

The Cabinet and departmental records opened today under the 30-year rule remind us that 1947 was not much of a year: the coldest winter on record at home, economic crisis and food shortages; abroad the impossibility of maintaining our commitments from Palestine to India, the breakdown of the wartime Four-Power alliance, the cold intelligence emanating from Moscow.

Yet it was not all bad. There was the uniquely general statement of the Marshall Plan. And in Cabinet minutes faced the unthinkable and wrestled with the intractable with a resolution that turned some of them into statesmen, and may be instructive even to us, the inheritors of their difficulties.

As we should have known even before the Crossman memoirs, the lapidary prose of Cabinet minutes is designed to conceal conflict and emphasize agreement. Nevertheless, the outlines of great debates can be seen through the fog of Sir Norman Brook's austere composition.

Here is Ernest Bevin standing as solid as the Rock of Gibraltar to the tide of totalitarianism spreading westward over Europe. Some of his colleagues suggested that for the sake of good day-to-day relations with those regimes behind the iron curtain, Britain should overlook their internal practices. They were no concern of ours, and by expressing our repugnance we did not stem the advance of totalitarianism, but made matters worse.

Bevin observed wryly that we had neither achieved good relations nor made internal conditions less tyrannous by overlooking their internal practices. He said that the internal practices of the Soviet Union or Yugoslavia.

"We should continue to maintain our stand against totalitarianism to all its manifestations, and particularly against the suppression of human rights and the fundamental freedoms. Our belief in the human rights and in the liberties of western democracy is part of our way of life which must be the basis of all our policy."

Occult messages from Moscow about the Anglo-Soviet Treaty put a cat among the Cabinet pigeons and hawks. Stalin seemed to be saying

Speke threat 'premature'

British Leyland said yesterday that newspaper reports of plans to close the company's plant at Speke, Liverpool, were premature.

Two thousand workers are on strike over manning at the Speke Triumph plant, building TR7s, causing 1,500 layoffs there and 2,000 at Coventry, and affecting Dolomite production. The dispute is entering its third month.

It has been reported that the future of Speke is threatened under the review of Leyland activities by Mr Michael Edwards, the new chairman.

In a telegram to Mr Varley, Secretary of State for Industry, Sir Kenneth Thompson, leader of Merseyside County Council, said any proposed closure would be intolerable in an area with the highest unemployment in the United Kingdom. He called for an all-party meeting to include representatives of the local authority and the trade unions.

A considerable change in the value of the pound sterling was reported yesterday. The pound fell to a new low of 1.48 against the dollar, compared with 1.49 on the previous day.

The pound's fall was attributed to a combination of factors, including a decline in foreign investment and a rise in the interest rate. The Bank of England is expected to announce a further increase in the rate in the near future.

The pound's fall has led to a rise in the price of imports, which is expected to lead to a rise in inflation. The Government is expected to announce measures to deal with the problem in the near future.

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Hard drug smuggling shows big increase

A huge increase in the smuggling of heroin and other hard drugs in 1977 is reported by British Customs.

The estimated black market value of heroin seized during the year was £5.3m, compared with £2.3m in 1976.

Customs officers seized 75 kilograms, compared with 12 kg the previous year. Most of the hard drugs were in transit through Britain to Holland, the drug centre of Europe, or from Holland to the United States.

The seizure was 11.8 kg of cocaine valued at £700,000, compared with £500,000 seized in 1976. Morphine tablets seized showed a sharp increase to 15,014, compared with 3,800 tablets in 1976.

The value of the tablets was £75,000, compared with £10,000 the previous year. A big increase was also shown in seizures of opium, 14.6 kg, valued at £59,000, compared with 2.3 kg valued at £2,000 in 1976.

Another popular drug for smuggling was amphetamine powder: 24.3 kg, valued at £330,000, was seized in 1977, compared with the 1976 total of 1.4 kg valued at £2,000.

A considerable change in the value of the pound sterling was reported yesterday. The pound fell to a new low of 1.48 against the dollar, compared with 1.49 on the previous day.

The pound's fall was attributed to a combination of factors, including a decline in foreign investment and a rise in the interest rate. The Bank of England is expected to announce a further increase in the rate in the near future.

The pound's fall has led to a rise in the price of imports, which is expected to lead to a rise in inflation. The Government is expected to announce measures to deal with the problem in the near future.

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Cattle inquiry MPs naive, RSPCA says

Two Conservative MPs who have been investigating the export of livestock to France from the south-west expressed general satisfaction with checks and arrangements yesterday after monitoring the transport of 145 calves. But the RSPCA, in a comment on the study, referred to the apparent naivety of the MPs.

Mr Robert Hicks (Bodmin) and Mr Peter Mills (Devon, West), who were accompanied by a television camera crew, had watched the calves being loaded on Thursday and fol-

lowed them across the Channel to Roscoff, Brittany. The calves were delayed in Plymouth for a day because of a strike by the dockers.

Mr Hicks said yesterday in Plymouth on their return that they were more than satisfied with the checks at this end and with the arrangements on arrival.

He added: "I am a little concerned, however, about a possible loophole on the French side, for after the animals have been unloaded and begin the journey to their destination there is no further

check that they are unloaded at the point specified on the documents."

He said he would raise that point with the Minister of Agriculture and Fisheries and Food to see if he could persuade the French authorities to resolve the matter.

The RSPCA, in a statement referring to the "naivety" of the MPs, said that they had announced their plans in advance and added: "Of course all was well, as the shippers would see to it that no irregularities occurred."

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Weather forecast and recordings

Today: Sun rises: 8.40 am. Sun sets: 4.40 pm. Moon rises: 12.57 am. Moon sets: 12.57 am.

New Moon: January 9. Lighting up: 4.34 pm to 7.36 am. High water: London Bridge, 6.57 am (6.4m), 12.07 pm, 6.4m (12.01m), 12.30 pm, 10.6m (10.31m), 12.30 pm, 10.6m (10.31m). Dover, 4.26 am, 5.9m (19.4ft), 5.11 pm, 5.9m (19.5ft). Hull, 12.5 am, 5.9m (19.5ft). Liverpool, 4.50 am, 7.7m (25.4ft), 5.12 pm, 7.9m (25.9ft).

A rough of low pressure will cross S Britain, followed by a rather cold NW airstream.

Forecasts for 6 am to midnight: London, E and central S. Outbreaks of rain, becoming mainly dry, higher or clear intervals developing; wind W, fresh or strong; max temp 7°C (45°F).

Channel Islands: Rather cloudy, occasional rain, becoming mainly dry, higher or clear intervals developing; wind W, fresh or strong; max temp 7°C (45°F).

SW England, S Wales: Outbreaks of rain, becoming mainly dry, higher or clear intervals developing; wind W, fresh or strong; max temp 7°C (45°F).

N Wales, NW and central N England: Rain in places at first, becoming brighter, occasional showers, perhaps wintry; wind W, fresh or strong; max temp 7°C (45°F).

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3-year Sa hospital contract triumph

By Our Business News

A £250m contract for Allied Investments, a services group, and staff two million in Saudi Arabia was yesterday by Sir Richard said biggest hospital in contract ever awarded Middle Eastern country the third contract that has gone to 31 firms in the Middle East success is undoubtedly the high re British medicine all world.

The contract is worth of eight months bargaining with government and against strong opposition from the Saudi Ministry of Health.

It was signed at Christmas period an Allied's main subsidiary, Allied Group, to supply not men

HOME NEWS

Mr Callaghan led by Asian leader for broadcast against voting 'on racial lines'

By Peter Evans
Home Affairs Correspondent

An attempt by the Prime Minister to discourage Asian voters in the next general election on what he calls racial lines provoked an indignant riposte yesterday.

Mr Tara Mukherjee, president of the Confederation of Indian Organizations in the United Kingdom, said Mr Callaghan was wrong to bring the question of race into the Asian's legitimate lobbying of politicians over issues that concerned them.

The controversy is important because of the influence of ethnic minorities' voting patterns in key marginal seats at the last election.

During a BBC television interview on Sunday, in a programme for Asian viewers, Mr Callaghan was asked what he thought would be the effect of Asian votes in the next election. He replied: "That is not a matter which I wish to discuss."

Party leaders call for election readiness

In a new year message to the Labour Party Mr Callaghan made it clear that he does not want to fight an election in 1978, which he sees as Britain's year of recovery. But he warned party workers to be prepared.

Mrs Thatcher urged Conservatives to work to make 1978 a year of decision, "a year when the history books will say we not only cast out socialism, but put our people on the way to a freer and better life."

Mr Steel, the Liberal leader, said he is determined that the Liberal Party should continue to play a key role in assisting recovery and in pointing the way to a sounder and more prosperous future.

The Prime Minister said in his message that the Labour Government intended to carry on in 1978, when Britain's economic success would become even more obvious. "But in a situation as uncertain as this, the Labour Party in the country must be prepared for any eventuality."

Mr Callaghan said it should be possible to make more tax cuts, to improve some of the public services and to bring down inflation. "The result will be a real and noticeable improvement in the standard of life of our people."

This time the recovery must be lasting and permanent. The nation could not dodge the truth on incomes and let them rise unrestrained to create a race between higher prices, soaring interest rates and a falling pound. Wage settlements higher than productivity increases would lead to the inflation which the Government was insisting must not happen.

The Prime Minister said that the Government would aim at steady and sustainable economic expansion that would en-

I do not think we should discuss these issues on a question of race at all."

He said he would like to keep such a development out of all party politics in Britain, not simply those of the Labour Party. "If we start voting on racial lines here it would be a very unfortunate thing, and we should not encourage anybody either to think in that way or to do it."

Awareness of the power of the ethnic vote grew out of a report published in 1975 by the Community Relations Commission. The study disclosed that without the support of ethnic minorities Labour might not have won more seats than the Conservatives in February, 1974, or an overall majority in the last election.

In some areas ethnic minority groups participated more than white people in the 1974 election. The distribution of minorities in the marginal seats gave them an important opportunity to exercise influence.

Mr Callaghan said in the television interview that the Government would use all the processes of law to ensure that there was no racial discrimination, as far as it could. But basically it was a matter of public attitudes, and the Government had "give a lead of education, of understanding."

The new Race Relations Act had come into force to outlaw racial discrimination.

The Prime Minister also promised to reduce the period of waiting for dependants who had a right to join their families in Britain. "We must make their position subject to as little hardship as we can," he said. But he explained that there was a well regulated system that must be followed, and staff had been increased in British posts in the subcontinent to shorten the queues.

Those benefits were at risk unless they were protected against crime, lawlessness and vandalism, and from attack by Britain's enemies. "We must be ready to pay the bill for upholding the law and defending Britain," the Conservative leader said.

In recent months Conservatives have welcomed "more and more refugees" from socialism. Many were distinguished public figures, but there were also thousands of ordinary people who had thought Labour was the natural protector of their "victims of a fraud".

Mr Steel said 1978 must be a year in which sectional and party interests continued to be subordinated to the wider national interest.

He said it would probably be the year of a general election. "It will be for the people of this country, not the politicians, to determine which spirit will prevail over the next few years."

Mr Emyln Hooson, QC, the Liberal Party's leader in Wales, called for the pact with the Government to be broken in the spring. There was a great danger, he said, that Liberals would receive little credit for making the Government "govern sensibly and moderately since March".

Since then the Conservatives have been wooing the Asian vote. The formation of an Anglo-Asian Conservative Association has given impetus to a campaign to dispel any idea that Labour is more sympathetic to the immigrant communities.

Asians have not forgotten, however, the way the Government clamped down on the inflow of United Kingdom passport holders from Kenya in 1968 when Mr Callaghan was Home Secretary. Mr Mukherjee referred to it yesterday and accused Mr Callaghan of failing to come out strongly against the National Front, even though a Labour Party political broadcast did so recently.

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Mr Jones criticized for accepting 'bauble'

Mr Martin Flannery, Labour MP for Hillsborough, yesterday joined critics of Mr Jack Jones for accepting appointment as a Companion of Honour in the New Year Honours.

"Mr Jones has been criticised for accepting this bauble," he said. "Presumably it is a reward for having helped the TUC to violate its mandate to free collective bargaining."

But Mr William Molloy,

Labour MP for Ealing, North, congratulated Mr Jones on the award.

He said: "It is part of the process of recognizing the contribution the trade union movement has made in the past few years and the devotion of an individual whose life has been spent improving Britain's industry and the conditions of the men and women who work in it."

Mr Jones spent Christmas and the new year holiday in Cuba as a guest of the Cuban trade unions. He is due to leave today.—Reuter.

Passers-by in Clapton Road, Hackney, London, will be able in coming months to watch a "Greek rain" being created amid trees and lawns in place of this sprawl of demolishers' detritus. The Bath stone portico and two colonnades of the former London Orphan Asylum, built in 1825, are to form the focus of a classical vista next to the John Howard Secondary School. The project is by the Greater London Council.

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In brief

Chimber safe on Ben Nevis

Mr Melvin Robson, a climber from Astington, Northumberland, was found safe on Ben Nevis yesterday after a search by police, civilian and RAF rescue teams.

Mr Robson, who had dislocated his shoulder, said that he had fallen and decided to spend the night in a hut on the mountain with other climbers.

Girl referee aged 12

A schoolboy football match between Coddington and Collingham, in the Newark Youth League, was refereed yesterday by a girl of 12, Cheryl Brender, of Balderton, Nottinghamshire, qualified by passing the county's referees' examination.

Anton Dolin returns

Anton Dolin, cofounder of the London Festival Ballet, who is 73, is to return to the company as guest artist, as Drosselmeyer, for three performances of *The Nutcracker* at the Festival Hall, in London, on Thursday, Friday, and Monday.

Pheasant scarcity

Pheasants are so scarce at Sandringham that there was no shoot yesterday. Shooting is being restricted this year because of the small number of pheasants, which has resulted from a poor breeding season.

Woolworth's pay deal

Shop assistants at Woolworth's will be paid £2,000 a year from today if they vote for a new settlement negotiated by the company and the Union of Shop, Distributive and Allied Workers.

Complaints over PO 'justified'

Many complaints he received were justified, Sir William Ewbank, chairman of the Post Office, said in a new year message to staff. He said: "The best maxim is a very old one, well known to people running retail businesses. The customer is always right."

In the two months since his appointment it had become clear to him that only a small minority of people who grumbled were "professional complainers".

New Scots law has eased pressure on heavy drinkers

Throughout Scotland the old year died uproariously and the new year arrived on a litter of broken glass, sore heads and aspirin. It was the time when Scots demonstrate that when it comes to consuming alcohol the English come a poor second.

The point may be confirmed by police records, the most casual observation and the platitudinous appeal by the firemaster of Strathclyde for at least one member of each Hogmanay party to remain sober for safety's sake.

Scotland ranks high in the European table of countries that suffer from chronic alcoholism. Indeed, the disapproval of the Church of Scotland, the most liberal of the three reformed churches in the country, is based more on psychiatric evidence than theology, since heavy drinking leaves much social misery in its wake.

An English notion of the church and public house in social affiliation, or of the vicar and members of his congregation enjoying a post-meal pint together, would raise eyebrows in Scotland.

Until recent licensing reforms, Scottish public houses closed an hour earlier than those in England, and Scots packed more drinking into a shorter time. Scottish public houses are generally thought of as viewless drinking dens with few trimmings.

The Clayson committee, which recommended the reforms in Scottish licensing law, was in a dilemma, since a liberal approach might improve conditions in the east but make matters worse in the industrial west and in the Western Isles.

Early indications suggest that allowing Scots the same drinking time as the rest of Britain has been wise. "It has taken the urgency out of

No date set for Dugdale wedding

No date has yet been set for the marriage of Bridget Rose Dugdale, who is in Aimerick jail, serving nine years for her part in an £8m art robbery in 1974, to Eddie Gallagher, who is serving 20 years in Portlaoise jail for his part in the Herremid kidnapping of 1973.

Mr Gerard Collins, the Minister for Justice in the Irish Republic, who gave permission to the couple to marry, is awaiting arrangements from their legal adviser.

Regional report

Ronald Faux

Glasgow

drinking here", another licensee told me.

Mr James Ross, president of the Scottish Licensed Trade Association, thought the traditional differences between public houses north and south of the border were narrowing rapidly. Landlords were obliged to smoothen their premises and think about providing a good atmosphere, food and entertainment. Really bad houses were disappearing.

Other licensees confirmed the movement away from the deadly alliance of the nip-and-half towards rather less potent orders. But some thought it would be another 50 years before Scots drank as sensibly as the rest of Britain, particularly in the Western Isles.

There the bothans (to use the Gaelic term) reign as the most rudimentary drinking establishments in the country. Lately they have received much publicity from the continuing wrangle between their frequenters and the Free Church and police. They are not strictly illegal unless money changes hands for drink.

When one of these small and cheerless establishments was raided, enough full and empty bottles were found to stock a city centre public house. The officers of the law solemnly announced to the court that "this was a place used for drinking".

HAVE A GREAT YEAR!

We'd like to extend every good wish
for the coming year to all our policy holders.
And the best of luck to everyone else.



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WEST EUROPE

Basques call off rallies after royal decrees grant form of self-rule

From William Chislett

Basque politicians met in San Sebastian today to call off the massive demonstrations planned for Wednesday as a result of the Government's granting over the weekend of a limited form of autonomy to the Basque country.

Under two royal decrees, whose urgent application the legislative committee of the Cortes approved today, the three strictly Basque provinces of Guipuzcoa, Vizcaya, and Alava will come together in a general council of the Basque country.

Navarra, the province long associated with the Basque cause, where the ruling Centre Party is in control, will stay out for the time being. There will probably be a referendum to see whether the people of Navarra wish to join up with the other three.

The three strictly Basque provinces enjoyed autonomy during the Civil War after which the Franco regime suppressed all nationalist aspirations. The Basque country now joins Catalonia, with its Generalitat government, as an autonomous region.

In matters like public order and defence, however, Madrid remains in control. The central Government also has the right to disband the Basque council for security reasons.

The exact powers of the Bas-

que council have yet to be detailed but are expected to be similar to those of the Generalitat on matters like education and agriculture.

Bilbao: The Basque Nationalist Party, in a statement, said the provisional autonomy measure was only a channel for the transfer of powers from Madrid to the Basques and the struggle was not yet over. "It represents an important step in the process of recovering our liberties," it added.

In an interview with a Basque newspaper, Señor Jesus Maria de Leizaola, president of the Basque government-in-exile, issued a call today to end bloodshed in the Basque country.

Speaking from Paris, he said: "The first objective, after the great news, is that Basques must suspend all forms of bloody struggle and allow the efforts of so many years to bear fruit."

There is concern here that the Basque separatist organization ETA may try to sabotage the agreement.

According to the newspaper *Hoya del Lunes*, Lieutenant Colonel Antonio Barriocanal Martínez, head of the Civil Guard in Bilbao, was dismissed for alleged negligence over the robbery of a co-ignition of explosives as it was being transported without escort to quarries in Vizcaya.

Reuter and AP.

Second turn for Danes in EEC presidency

From Michael Hornsby

Brussels, Jan 2

The new year sees the EEC presidency passing from Belgium to Danish hands as well as the end of the five-year period of transitional community membership for Britain, Ireland and Denmark.

It will be the Danes' second turn at the presidency, which rotates in alphabetical order every six months. Their first stint came almost immediately after they joined the EEC, when they still had much to learn of the Byzantine workings of the Community and its institutions.

That rude baptism was a hardening experience. A sober and pragmatic approach to the Community with little of the federalist idealism

whose fires—if heavily banked of late—still burn in some of the other small member states.

For Britain, and the other two newcomers of 1973, the end of transition is of more symbolic than great practical significance. For most purposes, full integration into the EEC's customs union came on July 1 of last year.

abolition of internal customs duties and adoption of the common external tariff.

In Britain's case, however, the new year did see the final stage of the alignment of its guarantee of farm prices with the full EEC level. This is expected to raise the retail price of beef by 2p a lb, butter by 5p to 7p a lb, and cheese by 3p a lb. Overall retail food prices will go up by about 1p in the pound.

Novel by Agatha Christie named in poison case

Creances, France, Jan 2

Roland Roussel has confessed to using a "recipe" from an Agatha Christie thriller to poison red wine that killed his uncle, Maxima Masseron, aged 80. The same substance was used in the novel *Tuesday Club Murder*, a copy of which was found in M Roussel's flat, with the relevant passage on the poison underlined.

M Roussel told the police he put the poison in a bottle of Côte du Rhône last summer, intending to kill a woman he accused of being responsible for his mother's death. He had no intention of killing his uncle.

M Masseron opened the wine and drank some of it on Christmas Day with his wife. He died in hospital that night; his wife is still in a coma. The village carpenter and M Masseron's son-in-law later went to the old couple's home to put the dead man in a coffin, helped themselves to the wine, which was still on a table. An hour later they were both unconscious, but are now in hospital out of danger. —UPI and Agence France-Press.

M Giscard takes aim at bureaucrats

From Ian Murray

Paris, Jan 2

President Giscard d'Estaing close to attack bureaucracy in giving his new year wishes to the French civil service today. The administration had to be clear and simple, he said. An obscure and complicated administration turned people into subjects and not into citizens. He wondered how much more effort would be necessary for the French administration to become really clear and simple.

He congratulated civil servants for the attempts they had made in the past year to improve matters, but said that more had to be done towards greater participation by the public and to make French democracy more of a living thing.

He set civil servants two tasks for the year ahead: to make France more competitive in the outside world; and to answer the ever-growing hope of the French that they could take a hand in their own destiny.

E Germans say report of manifesto 'bad joke'

From Gisel Spitzer

Berlin, Jan 2

East German reaction to Der Spiegel's report on the existence of a Communist opposition group in East Germany has been unusually quick, implying that a sore spot was hit.

On December 31, when the manifesto of the "Federation of Democratic Communists of Germany" was reported by the Hamburg news magazine, the East German news agency ADN described the report as a "bad New Year's Eve joke".

ADN made no mention of the manifesto, describing the report as "a miserable concoction by Der Spiegel and the West German intelligence service; BDN."

Two West German correspondents accredited in East Berlin were mentioned by name as the alleged spreaders of this "bad New Year's Eve joke".

Today, the East German press carried—again without even hinting at what the manifesto was about—an ADN attack against the BDN, alleging that "West German correspondents were its agents."

ADN claimed that the competent East German authorities were in possession of "facts" proving that the West German intelligence service was assigned the role to defame socialist countries, sabotage the building of socialism in East Germany and to endanger détente.

Herr Armin Grünwald, the Bonn Government spokesman, has rejected these allegations.

However, long the names of the manifesto's authors remain unknown the question of what it can accomplish remains the most discussed topic in both halves of Germany.

Dissident faces new trial for prison conduct

From Our Correspondent

Berlin, Jan 2

Herr Rolf Mainz, sentenced to four and a half years in prison for his role in the Hamburg weekly *Die Zeit*, is standing trial again on January 3 for his "unyielding conduct" in prison.

This was reported today by the Committee for the Protection of Freedom and the Constitution, an international body founded in connexion with the extradition of Wolf Biermann, the East German ballad singer.

Herr Mainz, formerly a journalist in Leipzig, was first tried for publishing a report in the Hamburg weekly *Die Zeit* on cases where East Germans were denied the right to work in their professions.

Pisa stops moving

Pisa, Jan 2.—The Leaning Tower of Pisa, which has tilted more and more for the past 800 years, stopped moving last year.

Experts could offer no explanation why its annual movement of one millimetre had halted. —Reuter.

Etna erupting

Catania, Sicily, Jan 2.—Mount Etna, Europe's largest active volcano, erupted today, hurling molten lava and stones hundreds of feet into the air.

OVERSEAS



Mr Desai (centre), the Prime Minister, listens as President Carter addresses the Indian Parliament yesterday.

Peace plan worries Jewish settlers

From Michael Knipe

Jerusalem, Jan 2

Apprehension over Israel's peace proposals is mounting among Jews who have established settlements in occupied Arab territory and fear they will be left to fend for themselves after a peace agreement.

The World Zionist Organization today called on the Israeli Government to strengthen the settlements by sending a further 1,000 families to northern Sinai and another 1,000 to the eastern-most part of the West Bank.

Yesterday two senior Cabinet Ministers assured the settlers that they would continue to receive maximum protection from the security forces even if Egyptian sovereignty was restored to Sinai, and the West Bank received the proposed measure of self-rule.

In spite of Israel's proposals on these lines Egypt is demanding that Israel liquidate its settlements in the occupied territories and insisting that there must be a total withdrawal of Israeli military forces.

Mr Moshe Dayan, the Foreign Minister, and Mr Ariel Sharon, the Minister of Agriculture, yesterday addressed about 3,000 settlers at a rally at Sadot, a farming cooperative in occupied northern Sinai.

It was also attended by the residents of 12 surrounding settlements, others from Ophira

at the southern tip of the Sinai and settlers from the Golan Heights. The settlers interrupted the ministers and appeared unmoved by their words.

Mr Dayan said the Government's plan had the backing of the majority of Israelis and that the settlers would receive no popular support if they opposed it. Urging them not to leave the area, he promised that security would be provided.

Mr Sharon told the settlers they were an "inseparable part" of the Government's peace plan and called on them to continue developing the region.

There was particular irritation among the settlers with Mr Dayan, because he was an initial proponent of development in the occupied territories and an advocate of settlement in the occupied territories when he was Minister of Defence in the former Labour Government.

Mr Sharon, who is a major-general, led the Israeli army in the 1973 war, will join the delegation because of his responsibility for settlements in occupied territories, the report said.—UPI.

Homeland in Palestine 'first step'

By Our Foreign Staff

President Carter will tell President Sadat of Egypt this week that he sees a Palestinian homeland as the "first step" towards creation of a Palestinian state, the Cairo Daily *Al-Messri* reported yesterday. The newspaper quoted diplomatic sources.

Mr Carter will stop at Aswan, in upper Egypt, tomorrow to see Mr Sadat. The American President visited Egypt last week by implying that he considered a Palestinian state undesirable.

The newspaper said that, in Mr Carter's view, the future of a Palestinian state and its links with Jordan should be decided by the people of the West Bank and Gaza in a plebiscite. The plebiscite would be supervised by a "world body" and its date would be decided by the foreign ministers of Egypt, Israel and the United States who meet in Jerusalem later this month.

After he met King Hussein of Jordan in Iran on Sunday, President Carter said he saw no reason why Jordan should take part directly at present in the negotiations opened by Egypt and Israel.

When he arrives today in Saudi Arabia, Mr Carter will find his hosts seriously disappointed by the course of the peace talks.

Few tensions for Callaghan visit

From Richard Wigg

Delhi, Jan 2

The Indian subcontinent to which Mr Callaghan flies tomorrow is more free of tensions and mutual suspicions than it has been for a long time.

Politically the Prime Minister's 10-day visit to Bangladesh, India and Pakistan is likely to be an easy success. There are big differences between Britain and the three countries on bilateral issues.

Even on the question of immigration procedures and incipient racism in Britain all three governments judge that there is more to be obtained for their nationals if the long run by assisting the British authorities than by demanding too much.

The best token of the region's improved relations is that the Indian Prime Minister, Mr Indira Gandhi, has visited the two neighbours. The British Government, they hope, will see for itself the "Janata" Government's striking efforts to improve relations and stabilize the region. Mr Callaghan can help to assuage Pakistan's injured feelings caused by President Carter's singling out India for regional pre-eminence.

There is an element of endorsement in Mr Callaghan's meeting the military rulers of Bangladesh and Pakistan. Last week the launching of a political front by President Zia-ul-Haq has admitted openly, is designed to fill a political vacuum in Bangladesh; and General Zia-ul-Haq is concentrating exclusively on eliminating the influence of Pakistan's former Prime Minister, politically.

On the issue of nuclear proliferation, the Indian side expects Mr Callaghan to follow the Americans' line. Indians dispute the authority of the state of Tripura, taking 40 per cent of the area, to lecture a country with no nuclear weapons.

The pledge by Mr Desai, the Indian Prime Minister, of peaceful development of nuclear energy must be sufficient.

Economic questions are likely to be the real test of the visit. The Indians expect Mr Callaghan to do battle for British industry. Many Indian businessmen have an image of Britain as a country which has not kept up with the Japanese, technically. This they say is why Britain has lost over the past 20 years, an exceptionally privileged position in the developing market here.

Cyclone appals Oxfam today. A £100,000 appeal to help rebuild the areas of India devastated by November's cyclone which killed 25,000 people and left two million homeless. Oxfam has already spent £107,082 on relief and some rebuilding work.

Leading article, page 11

Pakistan frees politicians but party ban remains

From Our Correspondent

Islamabad, Jan 2

General Zia-ul-Haq, Pakistan's chief martial law administrator, has announced that the Hyderabad special court trying 50 leaders of the outlawed National Awami Party, including the president, Khwaja Abdur Wali Khan, has been dissolved. All the accused have been set free as part of the military Government's general amnesty.

He added, however, that it had been decided to continue the ban on the National Awami Party, which was sanctioned in November, 1975, by the Supreme Court. Mr Wali Khan and several other accused in the anti-state conspiracy case before the Hyderabad special court were released on bail early in December. Baluchi leaders on trial, including Mr Chaudhury Buz Buzjo, the former governor of the province, have refused to leave jail until the Government resolves the situation in Baluchistan, which was made the basis of the trial.

Mr Bhutto, the former Prime Minister, ordered military action against Baluchi insurgents after dismissing the National Awami Government in Baluchistan in February, 1973. He has been quoted recently as saying that he had been unable to resolve the Baluchistan crisis and end the Hyderabad

trial because of pressure on him from army leaders.

General Zia, who is also chief of staff of the army, held a press conference, at which he said the Army had succeeded in checking the immediate threat from insurgents in Baluchistan. He firmly believed that the Baluch issue should be resolved politically. It was "99 per cent a political issue," he said, adding that he had heeded similar advice when Mr Bhutto was holding political talks last summer with the Opposition.

General Zia said his Government had so far released more than 11,000 people imprisoned mainly on political grounds during the anti-Bhutto riots. By the middle of this month, he said, the Military Council would announce the first list of politicians being debarred from public life. He indicated that Mr Bhutto would be among them and that more charges against Mr Bhutto would be made.

General Zia said his regime was ennobling the Supreme Court and the High Courts to write down any provision of law if it came into conflict with Islamic injunctions. He told journalists that they might soon witness the chopping off of hands for stealing.

Workers killed in police shooting

Islamabad, Jan 2.—Police fired on thousands of mill workers demonstrating in Multan today, killing five and injuring two, the Government announced tonight.

The announcement said that the demonstrators had encircled a police guard which had to fire in self-defence. —Agence France-Press.

Second win for Indian Marxists

Delhi, Jan 2.—India's Marxist Communist Party triumphed today in Assembly elections in the state of Tripura, taking 40 of the 60 seats with 12 seats to be declared.

The Marxists came to power in West Bengal last June. They emphasize their independence of both Moscow and Peking. —Reuter.

8,000 believed killed in Cambodia fighting

From Neil Kelly

Bangkok, Jan 2

American diplomats in Bangkok estimate that at least 8,000 people have been killed in border fighting between Cambodia and Vietnam during the past four months. They say Cambodia has probably suffered two-thirds of these civilian and army casualties.

Cambodia's severance of relations with Vietnam, and the departure of its ambassador to Peking, caused a quick response from Hanoi which today called for an early meeting between the two governments to settle border disputes.

Fighting continued along the 750-mile border where units on each side have clashed in recent weeks. Both sides have used heavy artillery and the Vietnamese have used aircraft.

Cambodia accused the Vietnamese of invading its territory with "several" divisions of troops, hundreds of tanks and warplanes. President Khieu Samphan also accused Vietnam of plotting a coup in order to "make Cambodia a member of the Vietnamese-dominated union of Indo-China".

Territorial claims in the border areas seem to be the cause of the fighting but French diplomats here believe there is much more to it than that. They regard Cambodia's breaking of relations with Vietnam as the most significant event in Indo-China since the end of the war, 32 months ago.

This move, they say, is a desperate gesture to give Vietnam's attempt to take over the country as the Vietnamese have already succeeded doing in Laos.

The gesture was aimed primarily to attract attention of Peking, for the Chinese have been Cambodia's only powerful ally since the Khmer Rouge took control of Cambodia in 1975.

Mr Chen Yun-kuei, the Chinese Vice-Premier, spent two weeks in Cambodia last month at the invitation of the Phnom Penh Government. Much of his time was devoted to touring areas bordering on Vietnam.

Bankok, Jan 2.—Military specialists here raised the possibility that the Vietnamese divisions reported to be less than 60,000 from Phnom Penh might continue to advance and capture the Cambodian capital in order to impose a "friendly" government in the next 48 hours.

Vietnamese troops have occupied a strip of Cambodian territory several miles wide, and about 750 miles long, stretching from the Laotian border to the Gulf of Thailand, according to a broadcast by the Cambodian radio last Saturday.

The Vietnamese units are said to have struck in a pincer movement north and south of Phnom Penh. In the south they control Takeo, 45 miles from Phnom Penh, and the ferry at Neak Long on the Mekong, about 37 miles south-east of the capital.

In the north, Vietnamese troops have penetrated deep into Prey Veng province according to reports from Hanoi which today called for an early meeting between the two governments to settle border disputes.

The fighting in Indo-China presents China with a second big foreign policy dilemma in a month. The Middle East peace initiatives have already brought home to Peking how difficult it is to be friends with everyone in the Third World at the same time, whereas this idea is one of the cornerstones of Chinese foreign policy.

The difficulty of choosing friends and allies has been brought to China's very doorstep, with a full-scale war between two countries it used to regard as close allies.

In 1973 the solidarity which China had attempted to foster with the countries of Indo-China seemed to have reached its peak, with the signing of the Paris peace accords on Vietnam and the gradual progress towards communist victories in Cambodia and Laos.

But in the following year the clash of territorial claims between China and Vietnam became impossible to disguise, with the Chinese seizure of the Paracel Islands from the former South Vietnamese Government. After the expulsion of the Americans from Saigon in 1975, Vietnam showed fewer inhibitions about supporting Soviet foreign policy world-wide.

The Khmer Rouge victory in Cambodia in the same year brought China a welcome new ally.

Just as Vietnam seeks to avoid Chinese domination by keeping close ties with the Soviet Union, Cambodia has tried to avert Vietnamese domination by staying on good terms with Peking. So far, the balancing act seems to be working.

Moscow, Jan 2.—The Soviet press has given no opinion of its own yet on the fighting, but Tass reported a statement by the Soviet Foreign Minister, Andrei Gromyko, supporting Vietnam's offer to negotiate with Cambodia on any level and at any place. While the Russians give substantial aid to Vietnam, Cambodia is reported to have ignored such offers. Cambodia also closed its embassy in Moscow last summer without giving any reason.—AP.

Korchnoi backs down with grace

Belgrade, Jan 2

Spassky and Viktor Korchnoi today adjourned the fourth game of the "candidates" match today, after five hours of play the game was adjourned on the fortieth move in a position which experts say gives Spassky better chances to win.

Korchnoi, backing down from his threat to walk out of the match unless all points of his ultimatum, including the exclusion of spectators and no demonstration board were met, decided to resume the match after a personal appeal of Dr Max Euwe, the president of the International Chess Federation, said Mr Michael Steane, Korchnoi's aide.

Spassky, the former Soviet world champion, made the first move at 4 p.m., started Korchnoi's clock, stood up, took off his jacket and left the course of the stage. But, Korchnoi was nowhere to be found.

Minutes passed. As tension rose Korchnoi appeared nonchalantly, without a jacket, made his own move, and then left the stage.

Asian found dead in S Africa cell

From Our Own Correspondent

Johannesburg, Jan 2

Mr Moonsamy Pillay, a South African Asian salesman, was found dead in a police cell a few hours after being taken into custody in Lenasia.

Asian township near Johannesburg. The incident took place on Christmas Day but the family learnt about it only last week when they went to the police station to secure his release.

According to a friend, Mr Pillay was arrested at his brother's home and was assaulted in a police van before being taken away to the police station.

A doctor who was later called in by the police said he had been shown a man with a bruised face. "I certified that he was dead but I did not determine the cause," the doctor said.

A police spokesman said that his jacket and left the course of the stage. But, Korchnoi was nowhere to be found. Minutes passed. As tension rose Korchnoi appeared nonchalantly, without a jacket, made his own move, and then left the stage.

Mr Ecevit to form Cabinet with independents' help

Ankara, Jan 2

Independents today publicly declared their support for Mr Bülent Ecevit, the Prime Minister-designate, enabling him to say he would announce his new Government very soon.

President Korkuturk yesterday asked Mr Ecevit to form a Government after Saturday's defeat on a confidence vote by the right-wing coalition headed by Mr Süleyman Demirel.

Last night, Mr Ecevit met a group of deputies, now sitting as independents, whose recent defection from Mr Demirel's Justice Party secured his defeat.

The 10 former Justice Party independents said today they would join a Government led by Mr Ecevit's social democratic Republican People's Party.

Mr Ecevit told reporters he would be able to announce his Government in a very short time. —Reuter.

Enforced silence made editor leave

Continued from page 1

assumed three different identities. "First I was an Africaner who could not speak much English, then I was an Australian and finally I was a German." Mimicry and an ability to affect foreign accents is another of Mr Wood's many skills.

The main reason why he had decided to escape, even at the risk of a long jail sentence if he had been caught, was because the Government by banning him had "made it impossible for me to continue to function as a journalist and to criticize its policies. I was no longer prepared to remain silent while they continued doing the things they were doing and saying the things they were saying."

Recent events had dashed his hopes of inter-racial negotiation and power-sharing. "The Gov-

ernment has banned or detained those blacks and whites who were best placed to bring about a reconciliation. What is left is two polarized racial groups who will carry on a collision course to racial war."

A recent incident in which T-shirts sent to their children by a friend were found impregnated with acid, also influenced him to leave. Mr Wood said he had "absolutely reliable information" that the parcel containing the T-shirts had been intercepted by the security police. One of the children, Mary aged six, was slightly hurt when she tried on one of the shirts.

He did not apply for an exit permit because "I do not acknowledge the right of the Government either to ban me or to withhold or grant me a passport to leave the country."

Asked why he was not prepared to see whether a recent

statement by Mr James Kruger, the Minister of Justice, that Mr Wood's ban could be lifted within a year, was put into effect, he replied: "I am not interested in what Mr Kruger said about the ban. He can get stuffed and you can quote me on that."

Mr Wood was banned together with six other whites for five years on October 19, 1975, the day the Government carried out its massive clampdown on Black Consciousness leaders and organizations.

Our Foreign Staff writes: "Sir Denis Hamilton, chairman and editor in chief of *Times* Newspapers, said in London last night that funds for Mr Wood to travel from Lesotho to Britain were being made available, should they be required, by private donors. He denied reports that *Times* Newspapers were involved in Mr Wood's travel arrangements."

IF YOU SMELL GAS-RING US

If you smell gas, remember the simple safety rules:-

- * Don't smoke or use naked flames.
- * Don't operate electrical switches—on or off.
- * Do open doors and windows.
- * Then check that you haven't left the gas on and unlit—or that a pilot light has not gone out.

If you suspect a gas leak, turn off the supply at the meter—and report the leak. Do this at once. The number's in the telephone directory under Gas—and we're on call 24 hours a day.

We'll come quickly and deal with the problem. And if you smell gas at work or in the street, please report it at once. Don't leave it to someone else.

WE'RE HERE TO HELP YOU—24 HOURS A DAY

Ask at your local gas showroom for our free booklet *Help Yourself To Gas Safety*, which describes the full range of services we provide.

BRITISH GAS

OVERSEAS

Smith insistence on safeguards in Rhodesia constitution claimed to be in blacks' interests

From Frederick Cleary Salisbury, Jan 2

Black Rhodesians as well as white Rhodesians would have been disappointed at the Rhodesia Prime Minister Ian Smith's insistence on safeguards in his annual new year radio and television broadcast.

There had been much speculation and talk of a blocking mechanism in some ways this was unfortunate terminology which was conjured up the idea that he was seeking a means which would enable him to block the wishes and actions of a future government. There was no substance in such thinking.

"What we are seeking are safeguards which will ensure that a future government will not be able to abuse its power by resorting to actions which are dishonest and immoral."

These are things which are every bit as much in the interest of the black people as the whites. For example, a justifiable Bill of rights to protect the rights and freedom of individuals and independent courts free from outside interference and influence are just as important and desirable to

blacks as they are to whites. These provisions will protect all people, irrespective of race, colour or creed.

Too many countries in Africa people were dying from starvation, preventable diseases and government organized murder squads which acknowledged no barrier or race or colour.

The need to maintain the standards and impartiality of the forces of law and order could not be over-emphasized. It was to protect all of these vital essentials that he was insisting on certain constitutional safeguards.

Mr Smith said the settlement talks he was having with the three black groups were proceeding well and significant progress had been made.

He asked the nation for patience as inculcable benefits would flow from a just and correct settlement.

The economy was not in a good shape, he said. Sanctions, the civil war and the failure of the international economy had contributed to this position. The coming year would be another of stresses and strains.

Bishop Abel Muzorewa, the

leader of the United African National Council, said in his new year message that a future Zimbabwe would be no place for racists, either black or white. It was pragmatic, he said, for whites, Asians and Coloureds to adopt non-racism because Zimbabwe would be a non-racial state.

He wanted whites to stay in the country after independence so that they could build a greater country second to none in Africa. He exhorted whites who feared majority rule to stay "and try our sincerity".

The Rev Ndabandwe Sithole made a surprise New Year's Eve visit to Blantyre in Malawi for what he called party business. In an interview he said that if everyone was honest political settlement was not far off. He did not feel that the prevailing problems were insoluble.

The year ended with a spate of deaths in the guerrilla war. A total of 1,759 guerrillas and 197 members of the security forces were reported to have died inside Rhodesia in 1977. During the same period 1,055 black civilians and 56 white civilians also died.

In brief

Kidnapped boy freed unhurt

Athens, Jan 2.—A manhunt is going on in Greece for three men who kidnapped the child of a Lebanese businessman, demanded a \$1m (£526,000) ransom, but then released him unhurt apparently without payment.

The boy, Mounah Zein, aged eight, was playing near his home outside Athens when he was seized. His father begged the kidnappers to free the child, saying he could not afford such a sum.

Funeral massacre

Rangoon, Jan 2.—A funeral ended in a massacre in the small Burmese town of Pongmye when a group of Communist rebels turned the guns on a party of mourners, killing six people and seriously wounding 10, the newspaper Myanma Ahlin said today.

Three die in fight

Windhoek, Jan 2.—Three people were killed and eight wounded in fighting which erupted after an argument among black miners at Tsumeb in northern Namibia (South-West Africa), police reported today.

Artist's journey

Moscow, Jan 2.—Oskar Rebin, the Soviet artist, will leave tomorrow for at least six months in France, West Germany and other Western countries, friends said here.

Kennedy visit

Peking, Jan 2.—Senator Edward Kennedy, making his first trip to China, today visited the Great Wall of China, the Ming tombs and the Summer Palace in Peking.

Family tradition

Boston, Jan 2.—Mr William Taylor, aged 45, has become publisher of the *Boston Globe*, succeeding his father and becoming the fourth generation of his family to run the newspaper.

Amnesty in Mali

Bamako, Mali, Jan 2.—President Moussa Traore announced that his Government has decided to free all political prisoners in this West African country.

Cardinal's plea

Buenos Aires, Jan 2.—Cardinal Ruffini, Archbishop of Buenos Aires, appealed to the Argentine Government to issue exact details about the many people arrested or kidnapped for political reasons.

Quebec minister cool to Trudeau warning

From John Best Ottawa, Jan 2

Mr. Trudeau, the Prime Minister, has told Quebec's separatist Government that he will use force if necessary to prevent an "illegal" secession of the province from Canada.

The warning drew a cool response from Mr. Claude Morin, Quebec Inter-governmental Affairs Minister. He said: "The Quebec people have the democratic right to self-determination despite what Mr. Trudeau says."

The Prime Minister, in a netelco television interview last night, said he is "not going to shy about using the sword if something illegal is attempted" in Quebec.

"If it is done illegally by breaking the law of the constitution or of the law, obviously we will have to take the kind of action we took in 1970 when the law was broken."

In 1970, Mr. Trudeau invoked the War Measures Act and sent troops into Montreal to deal with "an apprehended insurrection" after two kidnappings

by the Front de Libération du Québec. One of those kidnapped, Pierre Laporte, was murdered. The other, Mr. James Cross, the British Trade Commissioner, was eventually freed unhurt.

The Prime Minister said last night there was no "real, legal way for a province to separate from Canada. Nor could there be any unilateral declaration of independence."

But if Quebecers decided by an overwhelming majority that they no longer wished to be part of Canada, he would not try to make them change their minds by force of law. "Somebody will have to sit down and negotiate with them and it won't be me."

He accused the separatists of "fudging" on holding a referendum to determine Quebec's political future. Uncertain whether they could win the vote, they now were talking of postponing it by as long as 10 years.

"They have been put on the defensive, whereas a year ago they had the momentum."

Junta appeal to Chilean patriotism

From Florencia Vazas Santiago, Jan 2

Whether they agree with the policies of the military junta during the past four years or with the United Nations resolution condemning Chile for systematic violation of human rights, the Chilean Government propaganda has been on radio and television has been intense, asking Chileans to vote for Chile and characterizing a "no" vote as unpatriotic. The vote "yes", placed under the name of the ballot, they are good patriots.

Chile's bishops, in a document signed by Cardinal Raúl Silva Henríquez, have asked the Government to call off or postpone the poll station that the image of Chile abroad and the prestige of the military junta make it necessary either to cancel or postpone

the poll until conditions exist more favourable to its moral validity."

The added: "The Government's persistent unilateral propaganda is a form of psychological pressure on consciences and warps the value and purpose of the poll."

The bishops said the poll was confusing because it included several questions and that the results in any case would be difficult to judge because the state of emergency in the country prevented freedom of information and expression on the issues.

The question to which Chileans must answer yes or no is as follows: "Facing the international aggression launched against our country's Government, I grant my support to the present military government and the prestige of the military junta make it necessary either to cancel or postpone

of the Government of the Republic to sovereignly lead the process of institutionalization which the country is undergoing."

A Gallup poll gives the Government a 70 per cent favourable vote.

The Christian Democratic Party has issued a declaration of support to the Government, but has criticized the Government of "taking advantage of Chileans' love for their country to obtain unrestricted support."

President Pinochet would then be in a better position to respond to criticisms of the American State Department and to improve relations with Argentina and Bolivia, the Christian Democrats said.

A favourable vote would also allow him to manage without a demanding audience a "just" jury, "as he has been doing more and more."

Family reunion for American freed by Cuba

From John Best Ottawa, Jan 2

Mr. Frank Enmick, the American freed from a Cuban prison on Saturday after serving 14 years on spying charges, has arrived here to see his children and former wife before returning to his home town in Ohio.

After trips to Havana by United States Congressmen, Cuban authorities promised several weeks ago to release Mr. Enmick, who suffers from serious heart trouble.

Yesterday, President Castro told 10 visiting Congressmen that Mr. Enmick, aged 63, was freed.—Reuter.

Cuts opposed as BBC marks birthday of Arabic service

By Kenneth Gosling

The BBC's first venture into foreign language programming, the Arabic service, celebrates its fortieth birthday today.

Its first 25-minute-a-day broadcasts, originally a riposte against anti-British propaganda sent out by the Axis powers from Bari in Italy, have grown to nine hours a day, seven days a week. It is more than the Voice of America or the Voice of Russia, but less than Moscow Radio and Cairo's Voice of the Arabs.

The service spans the entire Arab world of 150 million people to 20 countries stretching 5,000 miles from the Atlantic to the Indian Ocean. Its modern brand of radio Arabic regarded by Arab speakers as the authoritative "style book" of the air. Different regional accents and habits of speech among the programme staff of 50 add a distinctive flavour to the service.

Surveys have shown massive daily listening to the BBC—22 per cent of Kuwait's population, 40 per cent of Lebanon's. In Saudi Arabia, a third of the 500,000 adults in the cities of Dammam and Jiddah are regular listeners.

Although the television age is here, there are still only 4,500,000 sets in the Arab world compared with 21,500,000 radios.

Economies in the 39-language BBC External Service resulted in the daily broadcasts losing an hour in 1976: the report of the "Think Tank" last August recommended halving the programme.

This, according to Mr Gerard Mansell, managing director of External Broadcasting, would not merely deprive listeners in each time zone of some peak listening time, but deny a demanding audience a service it has come to expect and it might seek alternatives elsewhere.

Not everyone can bear transmissions as clearly as they would like, a fact which moved one Tunisian listener to write: "Is your signal weak because so many people are listening to it that there is not enough to go round?"

An Egyptian who asked his father why he always listened to London was told: "Son, the BBC Arabic service is an old establishment; we are accustomed to hearing accurate news, beautiful songs and entertaining programmes."

Olga Korbut to wed

Moscow, Jan 2.—Olga Korbut, the Soviet gymnast, is to marry Leonid Borkevich, a pop star, Tass has announced.

Last week, her team mate, Nelly Kim, married Vladimir Achatov, a fellow gymnast.

More boat people

Darwin, Jan 2.—A fishing boat carrying 38 Vietnamese refugees arrived here yesterday. It was the first to land since November.

A hymn of praise to New York

From Michael Leppman New York, Jan 2

Mr. Edward Koch, the new Mayor of New York, set a humble pattern for his administration yesterday by travelling to his city hall inauguration on a No 6 bus. He explained that he would have gone by underground train, but he was frightened of being stuck in a tunnel and arriving late.

Today, however, he risked the underground and arrived before 9 am for his first full working day.

The new mayor is to keep his modest bachelor flat in Greenwich Village, although he will live for most of the time in the city hall, the elegant house on the Upper East Side, which goes with the job. For the inauguration, he wore a blue pin-striped suit, the first he has ever had made to measure.

If the trappings of the ceremony were deliberately un-showy, Mr. Koch's speech bordered on the grandiose. It amounted to a hymn of praise to New York and a powerful appeal to its residents to restore the city's greatness.

"I am not an exaggerator," he declared, "when I say that New York is unique in the history of human kindness. New York is not a problem. New York is a stroke of genius."

From its earliest days, this city has been a lifeboat for the homeless, a harbor for the hungry, a living library for the intellectually starved, a refuge not only for the oppressed but also for the creative.

"New York is and has been the most open city in the world and that is its greatness, and that is why, in large part, it faces monumental problems today."

Mr. Koch called for personal effort, sacrifice and commitment from all New Yorkers. He said, "We are not the whole solution to the city's problems."

"If an ideal city could have been bought with money, we would have purchased and paid for it long ago," he added.

A safe, prosperous city could have been acquired with dollars, we would have it today.

"These have been hard times. We have been tested by fire. We have been drawn across the knife-edge of poverty. We have been troubled by problems. We have been shaken by troubles that would have destroyed any other city."

"But we are not any other city. We are the city of New York and New York in adversity mends above any other city in the world."

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New Emir holds to old policies

Kuwait, Jan 2.—The new Emir of Kuwait, Shaikh Jehir al-Ahmad al-Sabah, today pledged that he would follow the domestic and foreign policies of his predecessor, Shaikh Sabah al-Sabah, who died of a heart attack on Saturday.

A Kuwait newspaper said today that a new Cabinet was likely to be formed in the next two weeks after a new Prime Minister had been named.—Reuter.

RAF squadron in Malta goes

Valletta, Jan 2.—The disbandment of No 203 Squadron Royal Air Force, which since 1969 has monitored Soviet naval movements in the Mediterranean, was marked by a parade on New Year's Eve. The squadron was based at Luqa.

Malta's seven-year agreement with Nato runs out next year and Mr. Mintoff, the Prime Minister, has said his country will pursue a policy of neutrality when the last British troops leave.—Reuter.

Social Focus

Why a new look at our cities is long overdue



Recent months have seen the development of considerable interest in the problems of the inner city and, inevitably, every report on the subject makes a plea for a massive redistribution of resources. The problem is, at last, being realised by the Government and over the past few years increasing amounts of money have been directed towards the inner city. For example, London benefited by approximately £2.25m from the urban aid programme in the year 1975/76; the Department of the Environment has just announced plans to spend £50m through the "partnership schemes" in certain inner London boroughs; and more is likely to be made available for dockland regeneration.

Money by itself may, however, do little to alleviate the problems, since the amounts that have recently been made available are still small in relation to the sums already being spent in our cities. Over the last ten years approximately £3,500m has gone on local authority home building in London alone and, in some cases, to judge from results on a few of the more notorious council estates, all that has happened is that one type of problem has been exchanged for another. The time has come to take a much more critical look at the situation in order that the limited finance which does become available is spent to the best advantage.

What is the nature of the problem? It is certainly more than just a shortage of the right sort of housing and a loss of manufacturing jobs, although these are unquestionably contributory factors. During the nineteenth century there was an explosive increase in London's population. In just one hundred years, between 1800 and 1900, the population of the area which is now designated inner London increased fourfold from around 950,000 to around 4,533,000 and, inevitably, given the social conditions of the times, this led to the creation of vast teeming slums which tended to be concentrated to the east and south of the city. These slums, which now compromise the London boroughs of Tower Hamlets, Southwark and Lambeth.

It is only recently that the full implications of an equally dramatic population decline are being realised. From a peak of around 4,533,000 at the turn of the century the population had dropped to 2,772,000 in 1971 and it is estimated that by 1981 there may well be only some 2,300,000 people left in inner London.

Demographic changes of this magnitude are likely to lead to social stress and in inner London the problem is being aggravated by the very uneven pattern of population loss. For instance, between 1966 and 1971 the area which includes Tower Hamlets, Southwark and Lambeth lost 10 per cent of its population, but over the same period the percentage loss from the 25-45 age group was twice as great. Since proportionately more of the younger wage-earners are leaving, the increasing percentage of the elderly will be dependent on the shrinking numbers of the economically active within the area. This augurs ill, both for local finance and for the future demands on the social services.

In the three boroughs mentioned above, which are frequently instanced as extreme examples of urban deprivation, over 49 per cent of households are now in local authority tenure and only 12 per cent in owner-occupation. The devastation in the neighbourhood of the docks as a result of enemy action during the last war gave a tremendous impetus to the then very early process of slum clearance and council building which had been started earlier in the century.

Unfortunately, the policy of council housing and urban municipalization, which still continues largely unabated, is only exacerbating some of the undesirable features of population loss. It has certainly produced an unbalanced society with unwelcome polarization between council tenure on the one hand and the predominantly professional class of owner-occupiers on the other. This has resulted in a marked shortage of men and women working in the less highly-paid service professions and industries, and it is just these people who have housing aspirations which are not necessarily going to be satisfied by a council flat, even should one be available. They can rarely afford to buy their own house at inner London prices and rent-control has resulted in the disappearance of much privately-rented accommodation. Some may well take jobs within the area and commute each day, but it is questionable whether this way of life is ideal. Quite apart from the congestion on the roads and the air pollution, there is a great deal to be said for encouraging people to put down roots in the vicinity of their work.

Current experience both in this country and abroad has shown that the idea that one has only to rebuke people in smart new council flats for a whole range of social ills is a grossly unrealistic assumption. Housing policy, if it is to be anything more than a social band-aid, must be based on a realistic assessment of the needs of the community as a whole which is being deprived of its own resources. It is not enough to build houses, one must also create a social environment in which people can live and work together.

Mr. David Ennals has recently stated that the Government intends to produce a White Paper aimed at reforming the 1959 Mental Health Act. That white paper would be directed at Part IV of the Act, which is concerned with compulsory admission to hospital. The White Paper has been prompted by earlier disclosures about abuses in the detention procedure. Mr. Ennals said the reform would authorize the professional concerned—the doctors and social workers—to admit and treat compulsory patients under defined circumstances but no details have yet been provided. This new White Paper will presumably be an extension of earlier proposals contained in the DHSS consultation document *A Review of the Mental Health Act 1959*.

The 1959 Act has come under severe criticism. Some critics believe the Act places too much emphasis on treatment rather than on legal rights and legal protection. Others are beginning to question the validity of granting discretionary power to the professionals and allow them to operate the Act with few external checks or controls. Certainly the Act is formulated in such a way as to provide for the detention of a patient in a hospital, and that he be kept there until he is no longer a danger to his own health or safety or with a view to the protection of other persons, no definitions are provided of "health or safety" nor the "protection of others".

Consider also the requirements of the three main sections of the Act dealing with compulsory admissions. Under Section 29, emergency order, which lasts for 72 hours, only medical recommendation is required, which may be from any doctor, together with an application made by a relative or social worker. The Scottish equivalent lasts for seven days and requires only one doctor. Sixty per cent of all compulsory admissions are made under this section, which means that there are 13,000 patients per year admitted under Section 29. For Section 25, the 28-day order, two medical recommendations are required, together with an application made by a nearest relative or social worker. For Section 26, the one-year treatment order, the requirements are more complicated but in general terms the requirements are similar to those for Section 25.

Under all three sections of the Act there is no right of appeal prior to admission, although a patient can apply to a mental health review tribunal if admitted under Section 26. The key question now is some of the criticisms of the Act well founded or put another way, are those professionals who operate the Act abiding

by the rules? My own research, completed in 1977, was designed to answer this question. The results showed serious defects in the way the Act was being operated, and showed that existing safeguards were largely inadequate.

In this research I attended 325 emergency psychiatric interviews conducted by a group of consultant psychiatrists and observed the way in which they, and others, such as GPs and social workers, operated the Act. Of these 325 interviews, 200 led to an admission, with 58 of the 200 leading to a compulsory admission. As would be expected, the consultant psychiatrist operated the Act with the greatest attention to the legal rules. They knew the Act in detail and made decisions accordingly.

Even so, they were not entirely blameless. On a very small number of occasions they admitted patients under the 72 hour emergency order when they should, according to the Act, have admitted under Section 25. In a further five-out of the 58 compulsory admissions, patients were admitted against the specific rules—mainly where the consultants had not interviewed the patient within the specific time period. However, it was the GPs and social workers who could be most severely criticized. The intention behind the Act was to introduce a second medical recommendation to operate as a corrective against any over-zealousness whilst the application by social workers was intended as a further check. (In practice the social workers completed the applications.)

Rarely did such correctives appear to operate. In far too many instances the GPs knew little of the Act, knew little of mental illness, and sometimes completed the second medical recommendation in a most perfunctory manner. In two instances they did so without seeing the patient at all, and in four others did so after the briefest of interviews. When asked to give reasons for their decision, two GPs said they made the medical recommendation on the advice of the psychiatrist and four others said they did not know why they had made the recommendation. Not all GPs were like this but only a few could be regarded as competent in these matters.

Social workers fared badly too. Again, and with some notable exceptions, most knew little of the Act; some had to be advised by the psychiatrists on how to complete the application, two appeared at the interviews with the wrong documents, so that the patient had to be admitted on a different section than was intended. Contrary to the spirit of the Act only one social worker bothered to advise the relatives that as relatives they had certain legal rights.

When all the errors are added together

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David Smith

The author is a member of the Greater London Council for Lambeth-Norwood.

Are the mental health guardians abusing their powers?

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Philip Bean

The author is lecturer in applied social science at the University of Nottingham.

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LEGAL NOTICES

No. 009513 of 1977

In the High Court of Justice, Chancery Division, the undersigned, **JOHN J. HARRISON**, Solicitor, do hereby give notice that a petition for the winding up of the company, **JOHN J. HARRISON & CO. LTD.**, has been presented to the Court by the undersigned, and that the petition is to be heard on the 15th day of January 1978, at 11.00 a.m. in the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2.

M. A. JORDAN, Liquidator.

LEGAL NOTICES

No. 009514 of 1977

In the High Court of Justice, Chancery Division, the undersigned, **JOHN J. HARRISON**, Solicitor, do hereby give notice that a petition for the winding up of the company, **JOHN J. HARRISON & CO. LTD.**, has been presented to the Court by the undersigned, and that the petition is to be heard on the 15th day of January 1978, at 11.00 a.m. in the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2.

M. A. JORDAN, Liquidator.

LEGAL NOTICES

No. 009515 of 1977

In the High Court of Justice, Chancery Division, the undersigned, **JOHN J. HARRISON**, Solicitor, do hereby give notice that a petition for the winding up of the company, **JOHN J. HARRISON & CO. LTD.**, has been presented to the Court by the undersigned, and that the petition is to be heard on the 15th day of January 1978, at 11.00 a.m. in the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2.

M. A. JORDAN, Liquidator.

LEGAL NOTICES

No. 009516 of 1977

In the High Court of Justice, Chancery Division, the undersigned, **JOHN J. HARRISON**, Solicitor, do hereby give notice that a petition for the winding up of the company, **JOHN J. HARRISON & CO. LTD.**, has been presented to the Court by the undersigned, and that the petition is to be heard on the 15th day of January 1978, at 11.00 a.m. in the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2.

M. A. JORDAN, Liquidator.

LEGAL NOTICES

No. 009517 of 1977

In the High Court of Justice, Chancery Division, the undersigned, **JOHN J. HARRISON**, Solicitor, do hereby give notice that a petition for the winding up of the company, **JOHN J. HARRISON & CO. LTD.**, has been presented to the Court by the undersigned, and that the petition is to be heard on the 15th day of January 1978, at 11.00 a.m. in the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2.

M. A. JORDAN, Liquidator.

LEGAL NOTICES

No. 009518 of 1977

In the High Court of Justice, Chancery Division, the undersigned, **JOHN J. HARRISON**, Solicitor, do hereby give notice that a petition for the winding up of the company, **JOHN J. HARRISON & CO. LTD.**, has been presented to the Court by the undersigned, and that the petition is to be heard on the 15th day of January 1978, at 11.00 a.m. in the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2.

M. A. JORDAN, Liquidator.

LEGAL NOTICES

No. 009519 of 1977

In the High Court of Justice, Chancery Division, the undersigned, **JOHN J. HARRISON**, Solicitor, do hereby give notice that a petition for the winding up of the company, **JOHN J. HARRISON & CO. LTD.**, has been presented to the Court by the undersigned, and that the petition is to be heard on the 15th day of January 1978, at 11.00 a.m. in the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2.

M. A. JORDAN, Liquidator.

LEGAL NOTICES

No. 009520

[illegible]

The Earl of Cromer argues for the freedom to use Britain's new wealth to the full

Making the most of North Sea oil's golden opportunity

Now we have the chance to
abolish exchange control
and reap the benefits
enjoyed by our German
and American competitors

This coming year it seems likely that a new national pastime may well be attempting to work out how best to make use of the vast wealth that private enterprise, at great risk and with amazing technological skills, is bringing into the nation's grasp from the North Sea. A tempting thought, indeed, that the new pastime should be to make the most of this once-in-a-millennium human wealth. But we must do more than merely pay lip-service to our duty to posterity. We must not squander this in consumption as so much of our heritage is now for ever squandered, as individuals are now under CIT compelled to dispose of their assets for the state to spend the proceeds.

The first requirement that common sense dictates is sufficient reward to the entrepreneur to stimulate further discoveries and development of energy for when the present wells run dry in the not too distant future. World history gives ample record that the state and state-owned oil companies perform miserably in comparison to free enterprise, so that if further progress of our energy is to be sought the rates of this will be in inverse ratio to the degree of state intervention. It is unlikely in the extreme that we would today have North Sea oil and gas if this had been left to a BNOC to seek and exploit it.

But beyond this what? What is the best employment for the considerable additional wealth created? There cannot be many who would dispute an order of priority such as (1) Defence, (2) Meeting our international obligations as pledged by Parliament, (3) Investment, (4) Reduction of enterprise inhibiting taxation and additional consumption at home and foreign aid. Each of these is fraught with political overtones and some with fallacious mythology. Defence surely presents the least difficulty as a matter of principle. It is the age old problem

responsibility of any government, if the nation's very independence is not one day to be brutally questioned, to maintain adequate defence of the realm against external aggression. The dangers and threats today are no less than they have been throughout the centuries. As de Tocqueville wrote: "There is no more deplorable spectacle than that of a people neither able to defend nor to maintain its independence". And yet under the pretence of self-created financial distress our defences have been cut to a degree highly alarming to those best equipped to judge and to a degree causing deep anxiety to the realm against external aggression. There is no more deplorable spectacle than that of a people neither able to defend nor to maintain its independence". And yet under the pretence of self-created financial distress our defences have been cut to a degree highly alarming to those best equipped to judge and to a degree causing deep anxiety to the realm against external aggression.

Accepting that collective security is in our age the only conceivable viable defence against aggression Parliament has consistently pledged our commitment to NATO. It is now our turn to shoulder fully our share of the burden, as thanks to North Sea oil we are now in a much better position to do than any of our NATO allies who have long held the fort through our period of weakness and who do not now benefit as we do in this God given windfall. It is once again within Britain's power by leadership backed on performance to instil into NATO a new spirit of life to the flagging resolve to which we have over the last decade or so contributed so excessively.

But we have other pledged obligations, only in kind if not in degree as morally binding as those of mutual defence: to repay our debts as they fall due and to fulfil our obligations in full under our accession to the Treaty of Rome so overwhelmingly endorsed by national referendum. The repayment of debt should

present little problem. Prudence would point to repayment of short term debts as soon as possible; but early prepayment of medium or long term debt may be left to pragmatic judgment in the light of prevailing interest rates and in accordance with the terms and conditions under which the loans were made to us in our time of dire need. Almost certainly the most important derogation from our obligations to the EEC which can no longer possibly be justified, and consequently should be abolished without delay, is continuing restriction of movement of capital within the European Community, but first the spurious notion that this conflicts with investment at home has to be dismissed.

Investment, like virtue, is something that everyone believes in but, again like virtue, can be as elusive in attainment. Of course, we want to see British industry modernized and revitalized. How else are we to see the jobs necessary to achieve a decent level of employment? How else are we to hold our own and develop our national genius to inventiveness and technological advance? More investment? Of course, yes; but where and why? It was the Government's level of borrowing that drove interest rates far above the real return on capital of manufacturing industry on the one hand, and it was trade union recalcitrance that frustrated increases in productivity on the other hand.

The lack of investment in British industry is very real and the very stuff of politics and outside the purview of this article. What is clear, however, is that this lack of investment is not due either to lack of money nor of efficient mechanism in Britain for the mobilization of funds for domestic industrial investment. This flat-earth mythology of lack of investment funds of some politically left-orientated economists, and seemingly currently latched on to even by the TUC as an alibi for the deplorable productivity of many sectors of British industry, has no validity in fact

or figure. If proof were needed of this fallacy, surely the Conservative Government of 1970-74 which printed money beyond all reason provided it. The Wilson Committee in the most recent of many inquiries over the years to have this great socialist myth exploded before it and, to its credit for objectivity, to say so in so many words. No doubt the final report will disclose that much of British industry is frustrated today, though either possessed of ample funds for investment or capable of easily obtaining the funds, by inability in the existing political social regime in Britain to employ these funds at a greater profit in industry than can be obtained by merely lending them to the Government. No amount of restriction on investment overseas is going to force people to invest in British industry so long as they judge the prospect of profit unpromising. "You can feed a horse to the water but you can't force it to drink."

Such facts as are available would point to free foreign investment actually stimulating investment at home in direct contradiction of the opposing myth. In 1972 an interesting survey was carried out in the USA by a group called the Emergency Committee for American Trade to assess the effects on domestic industry of United States overseas investment. Data was collected from 74 American multinational corporations and this contradicted wholly the contention that overseas investment was at the expense of domestic industrial investment or at the expense of jobs at home. In fact

the exact contrary is the case. Between 1960 and 1970 the book value of the United States direct investments in manufacturing affiliates abroad increased from \$11,152m to \$32,231m or so average annual growth rate of 11.1 per cent. During this period the 74 companies comprising the survey were investing abroad in line with this general pattern: ● Increased the number of their domestic employees in the United States by nearly 900,000 from 2,452,000 to 3,348,000—an increase of 36.5 per cent or 3.3 per cent per year as against the average of 1.4 per cent for United States manufacturing firms as a whole. ● Increased the book value of their fixed assets at home in United States manufacturing from \$15,300m to \$34,100m—a gain of \$18,800m or 122.8 per cent as against 68.9 per cent for all United States manufacturing.

● Increased their sales from United States domestic factories from \$58,000m to \$113,000m—an increase of 94.8 per cent. ● Increased their exports from the United States to the rest of the world from \$4,300m to \$12,200m—an increase of 183.7 per cent. ● Increased their net surplus of exports over imports from \$3,200m to \$6,600m—an increase of 106.25 per cent. ● Increased the balance of payments inflow attributable to their foreign investments (dividends, earnings, interest, royalties and fees) from \$500m to \$2,400m—an increase of 340 per cent. These same conclusions were fully borne out by the report

by the United States Tariff Commission to the United States Senate Committee on Finance in 1973. We have no comparable figures for the United Kingdom, but it is none the less interesting to note that whereas British companies between 1960 and 1970 totalled \$3,354m, total domestic investment by the same companies amounted to \$29,122m, the same period. Sir David Orr's recent statement that more than half of Collier's exports this year are the result of investment abroad would point to the British experience being similar to the American is likewise highly noteworthy.

The level of our official reserves of gold and foreign exchange through the post-war years (except in the early 1960s when the opportunity was thrown away) has hindered the abolition of Exchange Control and the advantages that ensue from a free currency. The Bank of England has done its best to mitigate the distortions in applying as much flexibility as permitted but the stupidities, inconveniences and distortions still remain. It is perhaps natural that we in England after so many years of disappointment and the false dawn have not yet realized to the extent that those abroad have comprehended the absolute sterility of our position that North Sea oil ineluctably produces. This is a real sea change, or can be, if only it is given a chance. For the next decade or so more with more funds legitimately seeking expatriate placement than previously in history largely due to the evolution of Opec, the weight of funds seeking sterling employment, and the sterling underpinned by North Sea oil is likely to be very great. This inflow of funds, which socialist King Canutes will be unable to stem by edict, on top of our own earnings (traditional plus North Sea), is likely to make for a really strong pound. The published figures are beginning to show the trend. Lord Kaldor, another opponent of exchange freedom, does however this time admit that the pound is strong in his contention that an excessively strong pound could in-

dead exacerbate our domestic industrial problems, with the exception that we should be able to maintain consistently lower interest rates; will help to alleviate this problem.

It is against this scenario that the whole generation that has grown up in this country to regard exchange control as a normal state of affairs has to be reeducated into recognizing, as it is recognized in most free countries and was universally recognized in this country until 1939, that exchange control is a reeducated into recognizing, as it is recognized in most free countries and was universally recognized in this country until 1939, that exchange control is a

foolish impediment to the creation of wealth. Reference has been made above to the extraordinary and fallacious mythology that socialism has built up on this subject, wholly unsubstantiated by credible evidence based on the contention that in the British context overseas investment diverts British domestic investment. It is thus perhaps not surprising that Lord Balogh, one of the more profuse proponents of the great socialist myth against overseas investment and in favour of exchange control, after expounding on his views recently in the correspondence columns of *The Times* on November 24 and December 1, should have had to fall back in his concluding paragraph, not on reasoned justification for continuance of exchange control but to the statement that "Britain experienced economic progress comparable to that of our competitors only in periods of protection (safeguarding and McKenna duties, Ottawa). The lesson is there to be learnt". Could it be that the argument against overseas investment and the need for exchange control was so feeble that recourse had to be made to a wholly different argument, not that of exchange control and restriction on overseas investment at all, but a wholly different argument in favour of protectionism and quota restrictions. It was in just such an artificial atmosphere of protectionism that history would indicate British industry lost so much of its competitive edge and has long been in a state of decline. It was, of course, in the period of free trade and absence of

exchange control of the 19th century that British industry grew from infancy to maturity and dominated the world. The lesson that has to be learnt is the converse to that Lord Balogh's: it is that incredible growth achieved world trade in the post-war by the success in eliminating tariff and quota protective restrictions under the aegis of the International Monetary Fund and the GATT. Now we have the long awaited opportunity to abolish exchange control, capital account and reap additional benefits to be achieved by this as enjoyed by our German and American competitors, among many others.

As regards our obligation to the EEC in this respect, it is clear and it is no excess of fastidiousness to suggest that we no longer have any excuse for our blatantly specious excuses, not adhering to our plight undertakings. The main changes and relaxation announced before the EEC was welcomed as first overdue faltering steps in the right direction. None the less it still leaves the "Brit investor paying a premium to participate in the EEC, as other continuing distortions putting the United Kingdom at a disadvantage. The European Community, if it is to meet anything in a world dominated by superpowers, needs a European Community capital market and it is essential to seek a market that Britain forms an integral part. Such a market is absolutely fundamental to provide part of the economic basis of our mutual defence through NATO.

Only when the first priorities have been thrashed out policy action will it be time to measure what resources remain to argue over the distribution for reduction of taxation, for consumption at home and for aid overseas. A generation given the unique opportunity that ours is, must needs exercise a special wisdom. © Times Newspapers Ltd, 1978. Lord Cromer has held many public appointments including his period as Governor of the Bank of England from 1961 to 1966, and British Ambassador to Washington, 1971-74.



Lenin, Stalin, Khrushchev, Brezhnev: who will be the next "Tsar"?

If I were supreme ruler of all the Russias

I am one of those numerous people who are always glad to tell the Soviet Government what to do. But what would I do if I were supreme ruler of all the Russias? Indeed, what can be done?

To dismantle the existing system at a stroke would produce anarchy with results that might be worse than those of Nicholas II's abdication. Moreover one cannot ask anyone to put a halter round his own neck or, indeed, to hand power to anyone else without a compelling reason. The present generation of top rulers first made their way in the terror of 40 years ago, and they cannot have escaped participation in those terrible events. So they cannot allow the full truth about Stalin's rule to be published. But in the nature of things they will soon be replaced by younger men. Among these there is likely to be one who is supreme, as Lenin, Stalin, Khrushchev and Brezhnev have been. It is not unfair to call them Tsars. And before long one of their successors will be a reforming Tsar. The Soviet system does work, but so creepily that the case for reform is overwhelming.

So what would I do if I had the power to do it? First of all I should introduce reforms in agriculture by which a peasant family could acquire an inalienable right to farm an adequate holding for fifteen years. They would be told that they would be eligible for a renewal of their grant at the end of fifteen years, if they showed themselves to be efficient farmers and that if they cultivated their land and marketed its produce, I would expect the offer of land to be irrevocable and the example of success to be contagious, so that before too long the food supply of the towns would be greatly improved. And the tendency to flee from the land whenever possible, which has been a mark of the collective farm system, would be reduced to reasonable

proportions, as in other industrialized countries. As this happened, I would abolish the restrictions which make it difficult for peasants to leave the land. I would not touch the state ownership of big business but I would try to decentralize its administration. And I would encourage artisans and small traders on a large scale. I would at first close my eyes to the rule, only get the materials for their trade by dishonest means. But I would try to shape future five-year plans so that enough goods of the right kind came onto the market to satisfy the needs of small businesses.

I would publish all laws in large editions at a reasonable price and I would lay it down that after an appointed day no unpublished law would be valid. After this day administrative laws of legal procedure would be severely punished but there would be a complete amnesty for previous abuses. I would not willingly permit revenge against even the worst members of the KGB. I would retire them with good pensions and try gradually to raise the standard by careful recruitment and by promotion of the better (or less bad) elements. I would not abolish the KGB but would cut their budget progressively until they were reduced to the size genuinely needed for security in a system of government by law. I would force them to obey the ordinary laws after the appointed day.

I would expect some of them to sabotage my plans in various ways. Any who did this would be severely punished and with much publicity. I believe that they would soon come to heel, if they saw (a) that this was dangerous to resist, (b) that all who adapted themselves to the new order could keep a considerably proportion of any previously ill-gotten gains. I would level the Lyubanka and lay the site out as a public garden. And I would publicly burn the archives of the KGB on that spot. This would show that incriminating records had been destroyed, though no one would believe that the destruction was complete. And it would reassure some of the officials of the KGB that evidence against them was being

destroyed too. A rapid review would release most, and if possible, all the prisoners of conscience in concentration camps, prisons and psychiatric hospitals. The strictest forms of detention would be assimilated to the mildest and the worst of the persons administering them would be retired on pension. The basis of power that I would seek would be the army and the bureaucracy. Their support would be necessary if the KGB were to be cut down to size. Therefore I would not touch bureaucratic privilege in the form of access to special shops, "funny money" etc. I would expect to have to retire or transfer officials numbering something like 100,000 over several years before there would be a satisfactory administration. Inevitably there would be some injustice. But I would take great pains to avoid unnecessary harshness even to the most objectionable individuals.

The Communist Party of the Soviet Union—whatever may be the case elsewhere—is losing its ideological cover but is not yet plucked up courage to face this. The party remains however as an instrument of rule, which is at present indispensable. Therefore I would not make any overt change in the status of the Communist Party. I would, however, promote good men whether they were party members or not, and regardless of their ideology. I would retire Lenin as the spiritual father of Stalin but I would hide my face about Lenin. I would be content to rehabilitate Bukharin, the one early Bolshevik who thought it unwise to press the peasants too hard, and to lay a time fuse in the bomb of a new edition of Lenin.

I would not abolish censorship but I would relax it as fast as could be done without stirring up that Russian anarchy which is always just below the surface. Wherever I could, I would make poachers into gamekeepers. Sakharov would be the chairman of the Academy of Sciences, but I would not invite Solzhenitsyn to become chairman of the Union of Soviet Writers—not that he would accept in any case. All mainstream religions would be encouraged. Their disabilities would be removed,

they would be able to appoint their own hierarchs and I would treat them as pillars of the new social order. I believe that they would generally accept this role with alacrity. I would give the Russian Orthodox Church a special position, which would need careful definition. In the Soviet Union as a whole. And I would give Islam a special position in Central Asia and Azerbaijan. The Roman Catholic Church would similarly be accepted as having a special place in Lithuania and I would make corresponding arrangements in Estonia, Latvia, Armenia and Georgia. The United Church would be allowed to re-emerge in the Western Ukraine.

Voluntary societies would be encouraged to supplement the work of official organizations and it is most unlikely that any future reformer will follow precisely these lines, but there are strong practical reasons for everything that I have suggested. Could such a plan succeed? It would have a better chance than a continuation of the present system. Any reform may fail. But failure is not inevitable and patriotism is a mighty force in the Soviet Union. So I should do everything to enlist it in favour of these reforms. The Russians are neither so impractical nor so incapable of ordering their own affairs as is often supposed, but they lack experience in doing so.

Whoever the reforming Tsar is, and whatever he does, he will be bitterly criticized for doing too little. Some of those who ought to be his friends will try to stab him in the back. He will need broad shoulders and a pover base sufficient for him to set his own pace in making changes. I see many great dangers, but measured boldness in reform is the least danger. And a peaceful evolution of the present Soviet system provides the best hope both for Russia and for her neighbours. The first years of the transition will be the dangerous ones. But it would not take many years for a reformed system to take root firmly as its predecessors over the centuries.

Sir John Lawrence
The author is Chairman of the Great Britain-USSR Association.

Bernard Levin

The mystery of the fiddler on my roof

I was listening
to a player
beside
whom all the
others were
as princes
beside a king

I have one of those radios which, pre-set, wake you up in the morning with the programme of your choice. I switch it on to Radio Three, in order to be woken up by music, which is the nicest possible way of coming to (if you have to come to, that is, and Robert Benchley was by no means sure that you do, concluding an article on the various ways of being roused from sleep with the tetchy question "Anyway, why all this fuss about waking me up—did I ever ask to be woken up?"). This device, given to me by a friend, replaced as my morning-call system a musical alarm-clock, which suffered from the drawback of having only one tune in its repertoire, to wit, La Marseillaise (no, dear, Charles Trenet's, nor Debussy's), but the radio-system has a snag, too, especially for those of a nervous disposition: if the mechanism is tripped into action while the announcer is talking between musical items, what you hear as you surface is not "sounds and sweet airs that give delight and hurt not", but a man who has certainly not been invited into your bedroom, and may well be there with the intention of doing you a mischief. This, I say, is particularly true if the announcer on duty is that jolly youth, Victor Hallam, whose voice is unconformably reminiscent of Valentine Dyall, vocal epitome of all that is sinister. (When I say Hallam is a lunatic, I do not echo his own view: once, announcing that the next event would be the time-signal, he confided that he was in the habit of dancing to the pips. "But then," he murmured shyly, "I'm a bit mad, you see.")

Anyway, not long ago I woke up, in my accustomed fashion, to music. Mozart, in this instance, and to be precise, the fourth Violin Concerto. And I lay and stared at the ceiling, entranced to the point of wondering whether I really was awake, by a violinist of such unguessed strength and unguessed sweetness, that I simply could not put a name to him. The recording sounded modern, and I ran through all the possibilities, rejecting them as I ran. Not Menuhin, for I know Yehudi's tone too well to be mistaken in it; nor Stern, for his versatility would be more "forward" than ever; nor Perlman, who would be less mercurial; nor David Oistrakh, who would produce as much beauty, but less electric intensity; nor even Zukerman, though he has electricity for 10. I began to feel that I was having hallucinations, and recalling how modern technicians have transformed old recordings, started to think of the great fiddlers of the past whom I had heard; Thibaud, when he was killed in an air crash; Neveu, who died the same way, who hers had hardly begun; Huberman; Mischa Elman; it

was none of these. I tried the players whom I never did hear in the flesh: Kreisler, Klenner, Adolf Busch, I again. Eventually, I actually did have hallucinations, and convinced myself I was listening to Paganini, or possibly the Devil (a lot of Paganini's contemporaries were convinced he was the devil). Just before the music ended, and I addressed the ceiling: "That," I said, "was without exception the greatest violinist I have ever heard in my life." The ceiling began to shake, the answer came microsecond before the announcer came to the rescue of my extraordinary aberration.

For, of course, as soon as I actually put it in words the search was over: those of you who heard him will have got there long ago, and those of you who didn't will have achieved the same result through a process of elimination. Jascha Heifetz really was the greatest violinist I ever heard in my life; I suspect Serov was too, actually, for he is still alive, though long since silent; the greatest violinist who ever lived, not excepting Paganini, to say nothing of the gentleman who gave the first performance of Beethoven's Violin Concerto with the first movement separated from the other two by a selection of pieces from other hands, including a series of piano variations.

Heifetz's achievement is one of the most extraordinary phenomena in all music. I have discussed here on another occasion the way in which many musical instruments have had their entire character transformed, together with our way of listening to them, by a single player of genius. As the first performance of Beethoven's Violin Concerto with the first movement separated from the other two by a selection of pieces from other hands, including a series of piano variations. Heifetz's achievement is one of the most extraordinary phenomena in all music. I have discussed here on another occasion the way in which many musical instruments have had their entire character transformed, together with our way of listening to them, by a single player of genius. As the first performance of Beethoven's Violin Concerto with the first movement separated from the other two by a selection of pieces from other hands, including a series of piano variations. Heifetz's achievement is one of the most extraordinary phenomena in all music. I have discussed here on another occasion the way in which many musical instruments have had their entire character transformed, together with our way of listening to them, by a single player of genius. As the first performance of Beethoven's Violin Concerto with the first movement separated from the other two by a selection of pieces from other hands, including a series of piano variations.

though unique, also unique unappealing.)

But with the piano and the violin it is surely impossible to do the same trick: can it be easily enough the greatest pianist I ever heard: Artur Schnabel. But I know perfect well that all I mean is that he was the one who most deeply and richly satisfied whatever is in me that responds to a piano, that other oysters—Rubinstein, Edwin Fischer, Horowitz, Kempff, Serkin, Casadesu, Michelangelo—perform the same function to other listeners, and that there is no possible way in which the superiority of one of these over all the others can be demonstrated, and indeed I point to even starting such an argument. (Peter Ustinov, a school, was asked, in some elementary musical general knowledge test, to "name any German composer". He offered Bach: "Wrong," said as matter a dominie as can ever have lived; the answer is Beethoven.)

The reason for the impossibility of any pianist ever being recognized as superior to all others is that the range of the instrument, and the infinite variety of styles of playing that it can compass, are such as to preclude any decision other than one which merely records that tastes differ. Yet the same is true of the violin and Heifetz: nevertheless managed it. My extraordinary lapse of memory, that morning lay in failing to realize that I was listening to Heifetz; but I had no doubt from the first bar that I was listening to a player beside whom all the others I had ever heard were princes beside a king, and what is more, I have no doubt that all over the country other listeners were coming to the same conclusion.

Now if you ask me to define the qualities that set Heifetz apart, I cannot do so: if I could, there would be no need of music, for words could do all that die holde Kunst can do as well as what the artist does for themselves. The only aspect of his playing that can be encompassed in words is, by that test, inevitably defined as not the most important; nevertheless, it is true that his playing does sound literally effortless in every note, more completely and assuredly so even than Zukerman's. But that is only one aspect: the container, what cannot be understood by normal ear is the contents. His technique is flawless: so is Stern's. His selflessness before the composer is complete: so is Menuhin's. His tone is gold unalloyed with the smallest imperfection: so is Oistrakh's. And yet Jascha Heifetz was the lion, and all the others, though as strong as the tiger, as graceful as the gazelle, as fleet of foot as the cheetah, as cunning as the crocodile and as majestic as the elephant, must form a ring around him, and bow to the monarch of them all. I heard him many times in my youth, from the gallery of the Albert Hall, let alone who did not go by his recordings, and recognize one who was not primus inter pares, but alpha and omega.

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Le Monde
LA STAMPA
THE TIMES
DIE WELT
Europa

Dangers behind the poll postponement



After the British vote in the Commons, do you think that the European parliamentary elections will inevitably be postponed to the spring of 1979?

Many hopes are centred on the direct elections to the European Parliament, which represent a political prospect that is already having a surprisingly far-reaching effect on public opinion, especially among young people. You can see changes and developments taking place that would never have been possible within a purely national context. It is unfortunate that these hopes have not been taken adequately into account, and that the original date—May/June 1978—has not been adhered to. However, I do not think the

procedural arrangements that have to be made by all the countries involved need make longer than mid-1978 to finalise. I hope it will not be necessary to wait until the spring of 1979, unless purely technical political factors arise in the individual countries concerned and bring about, quite independently of the election themselves, a postponement to such a distant date. What would be the consequences of such a delay, as far as the construction of a united Europe is concerned? There would be the danger that such a delay would only reinforce existing doubts, which in turn would make Europe's progress more uncertain. At a time when outsiders such as Spain, Greece and Portugal feel the call of European democracy as something both irresistible and uplifting, we who are already members of the Community are still unable to see clearly where our interests lie, and are still unable to take that step forward which we now need to, and which is no more than our very democratic existence demands. Furthermore, at a time when the entire process of European reconstruction has rather ground to a halt, postponing the elections only postpones the time when we shall be able to reflect, and have the momentum to press forward afresh. It makes it easier to accept further ideological and postmodernist, so characteristic of the way European union is progressing. But we must not lose heart. There must be greater commitment to the cause of the elections to make up for time already lost. Now that the political forces—and I refer

especially to those who profess to believe in Europe—are committed to the test of the poll, they have the opportunity, whether in government or in opposition, to show themselves able to put forward policies and assume responsibilities that will enable them to receive the approval of the European electorate. After the direct elections, what is the role of the European Parliament in relation to the development of the Community? The European Parliament has a function going far beyond that of a purely consultative body. It has its own powers where the budget is concerned, and is extremely active in legislative matters. It is increasingly actively involved with the Council of Ministers and the Commission. Among other things, in addition to Community matters, it also considers and discusses the major international questions with which the Nine are jointly concerned politically. The elections do not involve any extension of these duties; but it is plain to everyone how much more vigour and authority popular suffrage will give to the proceedings of the European Parliament. After the elections do you foresee any extension of the institutional responsibilities of the Parliament? The new Parliament can and must press, above all, for the full application of the treaties, which envisage so much more than has so far been introduced. At institutional level the concern of the new European Parliament should be not so much to claim wider powers for itself, but to achieve a proper status for the institutions of the Community, and thereby

Emilio Colombo, who is 57, has been President of the European Parliament for nine months, and has been a member of it since October 1976. During a political career spanning 30 years, his many ministerial posts in finance and economics (he was variously minister of agriculture, of foreign trade, of industry, of the treasury and of the budget) have involved Signor Colombo directly in European affairs from the negotiations culminating in the signing of the Treaty of Rome, to the widening of the Community to include Britain, Denmark and Ireland. As Prime Minister of Italy from 1970 to 1972, he signed the treaty on Italy's behalf, by which the three new members were admitted to the Community. In this interview with Paolo Garimberti, Signor Colombo talks about European elections in relation to the state of the Community.

to close the present obvious gap between the great responsibilities of a vast Community such as this, and the inadequate powers and authority of the institutions by which it is to be run. We must therefore see that these Community institutions grow and evolve in their totality, in accordance with the principles of a modern democratic structure, with the gradual elimination of bureaucracy and a distribution of powers more in line with what is to be expected of modern states. In a word, an Executive Commission and a European Council more directly responsible to Parliament, and with the legislative function more concentrated in parliament. Could there be two sets of parallel political functions with the possible risk of conflict that would entail between the President of Parliament and the President of the Commission? In all our countries there is traditionally a clear division between the power of the legislature and that of the executive: certainly where the Community is concerned we have no desire to change that—quite the reverse. We want full constructive democratic discussion between the various parties. After the elections the President of the European Parliament, in his dealings with other institutions, will be responsible for representing a political force in its own right, with its own roots, and—as such—a force that is obviously of far more consequence.

How do you judge the state of Europe today? The last European Council, which was heavily criticized in so many quarters—so much so that the head of the Luxembourg Government, Prime Minister Thorn, said that it rose to the level of a good Council of Ministers on only a few occasions—seems to have focused attention once more on the differences between the economic strategies of the individual member states, and the institutional backwardness of the EEC. The tests which the Community is facing are not easy. The economic crisis has struck us all, causing a serious general threat to employment, and various other repercussions in different countries, all of which would tend to accentuate the existing differences, if nothing was done. Moreover, all of our societies, without exception, are faced to varying extents with problems of another kind—terrorism, the rediscovery of regional or ethnic values; and the difficulty with which youth is faced today of taking its proper place in society, a difficulty that is not only economic but also moral and psychological. This list of troubles is not intended as an excuse for the not always very satisfactory progress of the European construction, because in effect Europe is in a stagnant and reluctant to face important matters, particularly those that could help to overcome present difficulties. Prime Minister Thorn's observations contain constructive criticisms. Might I also, however, be permitted a question? Is such dissatisfaction with the way things are proceeding in the Community meant to be taken as healthy

criticism—hard, inflexible even, but designed to stimulate—or is it introducing, imperceptibly, a sceptical frame of mind that is the prelude to a devaluation of all that this Europe that is being built so laboriously may represent? In your mind, therefore, is the European process both irreparable and irreversible? The Community exists and already has its own solidarity. That is something we need to keep telling ourselves, even at times when we are dissatisfied. The structures of production have become more integrated than they may seem. The irreversibility to which you refer is something that exists, not touch in treaties but as physical fact. As we all know, the cost of turning back would be disastrous, a price no government or other political power could reasonably pay. And so we have to make the common political will more operative, such as those of the Mediterranean regions, are concerned. Finally, extension of the Community to include Greece, Portugal and Spain represents one of the important items for the Community's early attention. We must strive to overcome the difficulties in a way that eliminates the risk of weakening the existing Community structures, and makes the entry of the new countries a dynamic factor in the unification of Europe. The way in which problems connected with the new membership are handled will be a test of the political will of member countries to consolidate the process of European integration. In this connexion it must be remembered that the new candidates for membership are entirely ready, politically, to commit themselves without reservation to the process of unifying Europe.

nomically stronger countries, at both Community and world level. In this context it is necessary to develop the instruments and financial resources of the Community, and to seek common solutions to structural problems. Such action can be best undertaken in the perspective of economic monetary union, which remains an indispensable aim that, albeit slowly, the Community must achieve. Then, with a view to reducing the imbalance and inequality that exists between the various regions in the Community, and as an aid to bringing together the economies of member countries, there must be a thorough examination and review of the so-called sectoral policies, starting with the Common Agricultural Policy—especially where certain products, such as those of the Mediterranean regions, are concerned. Finally, extension of the Community to include Greece, Portugal and Spain represents one of the important items for the Community's early attention. We must strive to overcome the difficulties in a way that eliminates the risk of weakening the existing Community structures, and makes the entry of the new countries a dynamic factor in the unification of Europe. The way in which problems connected with the new membership are handled will be a test of the political will of member countries to consolidate the process of European integration. In this connexion it must be remembered that the new candidates for membership are entirely ready, politically, to commit themselves without reservation to the process of unifying Europe.

Nine look back on bad year and forward to worse

by David Blake

Europe has still not recovered from the recession which began in 1973, and in 1978 things will get worse, not better. In a world whose economic performance was far worse in 1977 than even the most pessimistic expected, the European experience stands out as particularly depressing. Country after country was forced to reduce estimates of the growth it would achieve, in most cases halving the targets which were set at the end of 1976. The most striking example is West Germany, where growth in 1977 is likely to turn out to be about 2.5 per cent instead of 5 per cent which the Federal Government originally predicted and which at the London summit last year, it pledged itself to achieve. Germany has been criticized for its failure to meet its target, but the gap between its promise

and performance is not much greater than that in the other chief economies of Europe. In France, for example, growth was originally expected to be 4.8 per cent and now seems likely to turn out to be about 2.5 per cent or just under. In the United Kingdom hopes that growth would be about 2.2 per cent have given way to expectations either of almost no increase or even a decline. In Italy output is expected to rise by little more than 2 per cent. Unemployment in the Community has risen steadily as a result of this poor growth performance, and now stands at over five million. The main cause for concern, however, is not what has been happening in the past few months but the effect which it will have this year. As it became clear that the second half of 1977 was turning into a period of slow growth, governments felt the

need to revise their estimates for 1978 because it was realized that for the West as a whole the achievement of a 1978 growth target of 5 per cent would involve a sharp acceleration. The 24 nations of the Organization for Economic Co-operation and Development (OECD) have now admitted that even if they all achieve the aims they set themselves for 1978 the growth rate for the entire industrial world will be only 4.5 per cent, outside the United States it will be less than 4 per cent even though the European countries need to grow by at least 4.5 per cent to stop unemployment rising. Allowing the recession to deepen and unemployment to rise is therefore now the official policy of the European industrial nations; but the true position is even worse than this indicates. For low though the growth targets of European countries are, they are unlikely to be achieved. For West Germany the official target remains 4.5 per cent; the latest available OECD forecast is about 3 per cent. Most responsible leaders would feel that France too is unlikely to achieve much more than 3 per cent instead of its estimate of 4 per cent. In previous years it was possible to say that the gap between forecasts and targets did not mean that the target figures would not be reached, but merely that government policies would have to be modified to make this possible. No such reassurance can be given this year. Governments may find it difficult to recognize quickly enough that corrective action is needed; the German Government's promise in May to achieve a 5 per cent growth was doubtless made in good faith, but it was meaningless because by then it was too late to take action. The same problem will occur this year.

Because most of the countries in Europe look to Germany as the only European nation which can stimulate demand without having to worry about payments problems, the argument has usually been about whether or not Germany could and should do more to help recovery. The "locomotive theory" that Germany, Japan and the United States should lead the world out of recession, certainly supports this view. Too many countries have tended to lay all the blame for the West's present difficulties on Germany and to ignore both the mistakes which others have made and the role which others must play. Even if it were true that a more expansionary policy by governments could stimulate economies and even if the Germans were to do everything anyone could reasonably ask of them, European economies would still be in trouble this year.

The recession has now endured for so long so deeply that no one country, not even three countries, can carry the whole burden of moving the West out of its difficulties. It is already too late to start to alter the prospect that there will be growth of between 3 and 4 per cent this year. Most EEC countries must expect to see unemployment at about its present level for several years to come. The immediate question is whether they can stop the slide which would lead to a full-scale slump in 1979, with

high unemployment causing protectionism and thus killing the last hopes of sustained recovery. If there is to be any hope there must be a concerted programme of action by all the EEC countries and indeed by the world as a whole aimed at ensuring as a minimum that present forecasts about growth rates are not fulfilled. It is too late to do anything about 1978 but it is not too soon to start worrying about 1979. Economic conditions for a recovery programme are on the whole encouraging. Some of the formerly weak countries, such as the United Kingdom and Italy, have achieved a remarkable reversal of their adverse balance of payments position, and this makes more acceptable the fact that they have been forced to adopt policies at home which have pushed unemployment figures in each case to about one-and-a-half million. Italy had a current account surplus in 1977 and will have a much larger one in 1978; the United Kingdom will probably have a smaller surplus in 1977 and one of more than \$3,000m in 1978. A similar improvement has been seen as far as inflation is concerned. Inflation in the United Kingdom, which reached nearly 24 per cent in 1975, was down to 13 per cent in the 12 months to the end of 1977 and should fall into single figures by the middle of this year. Italy had an increase in the inflation rate in 1977 to

Energy plans get a breathing space

by Hans Baumann

"The freezing of oil prices until the middle of 1978 was a free decision by the oil-producing countries in Caracas. Nobody forced it on us," Shaikh Yamani, the Saudi Arabian Oil Minister, told Europe when asked if there had been American pressure on Opec. Shaikh Yamani, who had predicted in a Europa interview at the time of the recent Opec meeting that oil prices would not be increased in 1978, was asked whether he was satisfied that the Opec meeting had agreed to freeze prices for six months, whereas he had wanted a standstill for the year. "I am satisfied," he said. "We can now watch the movement of the dollar in peace. Its drop in value, particularly hit the oil countries because they calculate in dollars; but the industrial nations of Europe and Asia now also have a breathing space of six months in which to adjust their energy policies. In order that the oil producers can implement their maxim: oil will be rationed." As the overlord of more than 60 per cent of world oil reserves, Shaikh Yamani left no doubt that refinery capacity in Europe will have to be reduced. "We shall on no account fail to construct oil processing plant in our own countries for export purposes," he said. At present Europe has refinery capacity of 250 million tons a year standing idle. Shaikh Yamani is also convinced that the present flood of oil will fall noticeably in the new year. The international oil companies had already announced that they would reduce quantities by 10 per cent in the new contracts to be negotiated, he said. Then the supply of mineral oil products would automatically diminish and prices could rise again.

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On the contrary

Vingt ans après

Dans une chambre du Palais du Berlaymont, que nous connaissons déjà, près d'une table à coins de vermeil, chargée de papiers et de livres, un homme était assis la tête entre les mains.

Ce fantôme du président Hallstein, c'était le Roy Jenkins.

En ce moment la porte s'ouvrit.

—M d'Artagnan, dit le valet de chambre.

—Eh bien, d'Artagnan, dit le Roy, j'ai besoin de vous et de vos trois amis.

—De quels amis, sire?

—Ceux que vous appelez Cécia, Euratom et Marché commun.

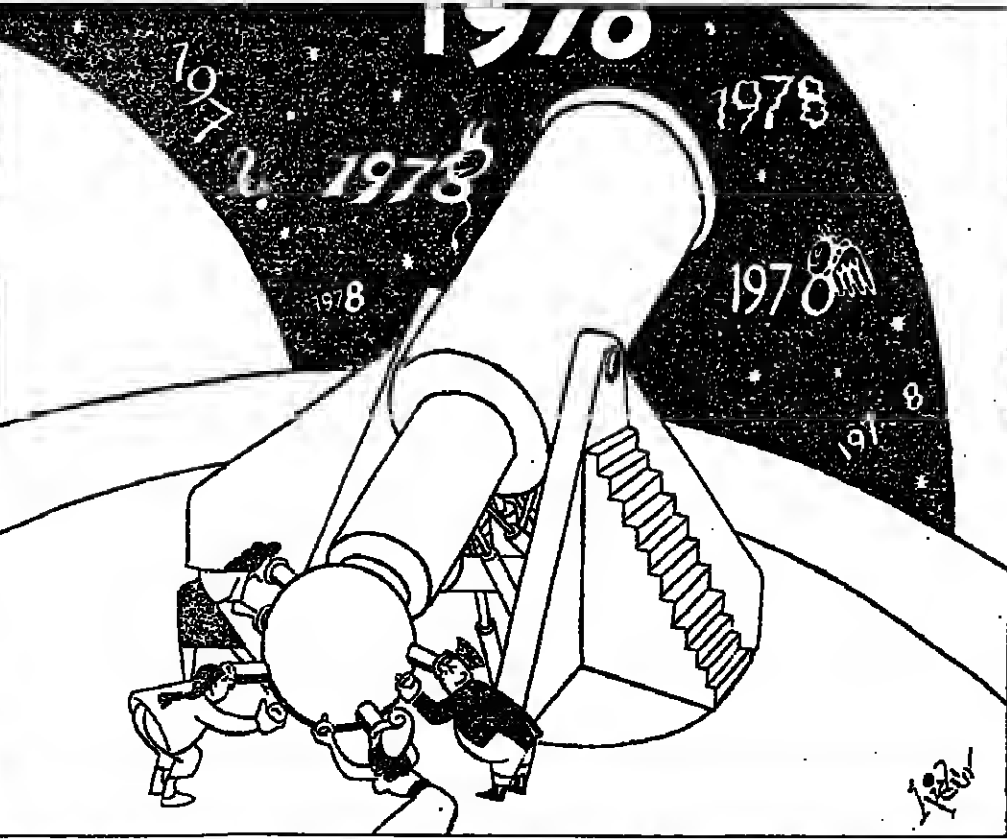
—Je les crois toujours à Bruxelles, dit d'Artagnan.

—J'ai une commission pour eux. Allez expliquer que je leur propose une union monétaire européenne.

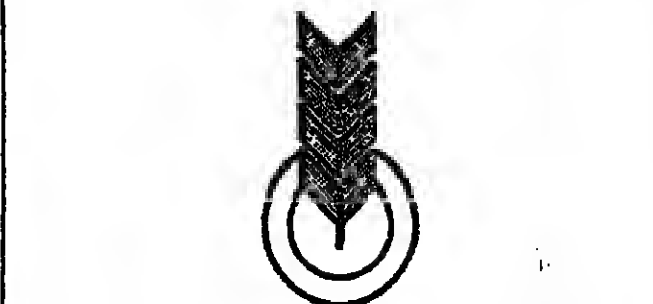
—Votre Majesté remuera toute la France et l'Europe, dit d'Artagnan, si cela lui convient.

Et il ajouta à mi-voix: Si ce sont des doublons d'Allemagne ou même des écus d'or, nous pourrions encore faire affaire ensemble.

Pangloss



DEMOCRATIC & POPULAR REPUBLIC OF ALGERIA MINISTRE DE L'AGRICULTURE ET DE LA REVOLUTION AGRAIRE OFFICE ALGERIEN INTERPROFESSIONNEL DES CEREALES "O.A.I.C."



Notice of a call for tender on a national and international scale to the Building Industry for a turnkey construction of cement silos to store cereals.

- Purpose of call for tender:** The Algerian Institute for Cereals—O.A.I.C.—invites national and international tenders for the turnkey construction of eight concrete silos for the storage of cereals to be built in different parts of the country with a total capacity of 2,400,000 cwt.
- Presentation of tenders:** Tenders should be placed in 2 sealed envelopes. The outer envelope must have written on it "Appel d'offre, silos de stockage O.A.I.C. ne pas ouvrir". The inside envelope should contain the documents for submission and should have the name of the party tendering for contract and the name of the company clearly written.
- Place and date for receipt of tenders:** The envelope, which should be prepared in the way indicated in paragraph 2, should be sent by registered mail to: L'Office Algérien Interprofessionnel des Céréales, 5 rue Ferhat Boussad, Alger, Algérie. It could also be delivered by hand. The final date for application is 28th February 1978.
- Duration of commitment to tender:** Bidders will be bonded by their tenders for a period of 150 days from receipt of application.
- Obtaining documentation:** Interested parties to this call for tender may obtain tender specifications and the necessary documents as from 4th January 1978 by sending a written request and a payment of 2,000 DA, which is not refundable, to either Maître de l'ouvrage, O.A.I.C., 5 rue Ferhat Boussad, Alger, Algérie, or to Interag, 90 rue du Colonel M. Hamed, Ain Benian, Algérie.

Facts and figures

Growth marked by abrupt changes

by Maurice
Bommensath

As the graphs show, there has been no recent improvement in economic activity in the four major European countries. The trend is downward, if anything, except in West Germany where the index of industrial production registered a slight rise (some 3 per cent in annual terms) last month, and this appears to have been maintained.

Things are turning out still better in the United States, where the figures for the rise in third quarter gnp have been twice revised from 3.8 per cent to 4.7 and then to 5.1 per cent. The recent monthly figures for the rise in United States industrial production have, however, been rather disappointing (0.4 per cent in September, 0.3 in October and 0.5 in November) as these are equivalent to an annual growth of only 5 per cent. While the United States cannot hope to

get back to the expansion of early 1977, it needs a respectable rate of growth, and we are not even seeing that.

A striking feature of growth in all the countries is the hesitant and rather abrupt way that the indices move about their basic trend: successive quarters (and sometimes even months) bear no resemblance to each other.

In France, for example, September was a good month for consumer expenditure, giving rise to hopes which were promptly disappointed in October, only to be revived by November's results. The same phenomenon occurred in Britain, where the third quarter figure for industrial production (110) was better than the second quarter (109.2) but worse than the first quarter (110.4). In West Germany the fall in unfilled orders in summer was followed by a definite increase in autumn, which is, however, more the result of orders from the home market than export orders.

What is the cause of these switchback movements that we pointed out last month? Presumably they are the result of fluctuations in consumer expenditure, especially on durables, which are periodically influenced by government action (such as the increase in social security benefits in France, or the unfreezing of the second block of worker shares in West Germany) which produces an immediate effect, but remains essentially mere tinkering, raising hopes but not producing a significant upturn.

Another economic indicator showing curious behaviour is unemployment. If we look, not at the rates of unemployment, but at movements in the rates, and compare them with movements in industrial production, some surprising results emerge.

In France, for example, the fight against unemployment has been most successful since industrial production began falling. Conversely, in the United

States unemployment is still around the danger level of 7 per cent, for all the continuously good record of growth. The United States has, however, succeeded in creating 1,200,000 jobs over the same six-month period, and is still the only country in which the unemployment rate among young people (an important indicator) has fallen significantly.

Britain is an intermediate case, with unemployment steady at 6.1 per cent despite economic stagnation; the Government estimates that its special budget injection of £900m has saved 250,000 jobs. A slight improvement in the West German economy has left the number of unemployed at about a million. Only in Italy is the traditional pattern of falling production accompanied by an equal or greater increase in unemployment.

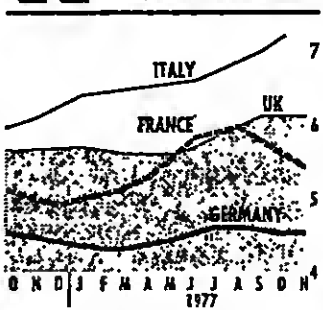
The conclusion is clear: growth may be a necessary condition for improving the state of the labour market, but is far

from being sufficient, and a number of countries, including the United States and West Germany, appear to have abandoned the attempt to get back to an acceptable definition of full employment by growth alone. Even President Carter has probably given up hopes of achieving 5 per cent unemployment by 1981 on these policies, which are in any case not compatible with the other target of balancing the budget.

He has, in fact, recently hastened to support the proposed "full employment and balanced growth Act" of Senators Humphrey and Hawkins, which envisages bringing unemployment down to 4 per cent by 1983 using other policies than the simple stimulation of output.

Whether improvements are to be sought by growth or by direct measures, any success will depend to a great extent on the course of international affairs, particularly on the outcome of the struggle between the United States and Japan. In the past Japan has tried to develop its economy discreetly but vigorously; now, suddenly, the Japanese find themselves in the dock, to their great surprise.

UNEMPLOYMENT



Unemployment: The rate of unemployment as a ratio of the labour force, seasonally adjusted, remained stable from October to November at 4.5 per cent in West Germany, and 6.1 per cent in Italy. In France, the rate fell to 5.4 per cent, but it rose to more than 7 per cent in Italy.

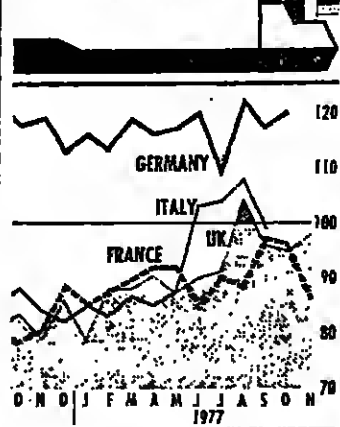
	Rate of growth	Quality of growth		Maintenance of growth		
		Prices	Unemployment	Productive capacity	Foreign trade	Vulnerability to external factors
GERMANY	●●●	●●●	○	●	●●●	●●
FRANCE	○	○	○	○	●●	○
ITALY	○	○	○	○	●●	●
BRITAIN	○	●	○	●	●●	●●

Their success has been too great, and it threatens to destroy whole sections of European and American industry, with inevitable effects on unemployment. Among the industries concerned are shipbuilding, iron and steel and the motor industry. The last gives most cause for concern as it is still one of the main forces for growth in Western economies.

Although other countries, such as Hongkong, must share the responsibility for layoffs, in the textile industry, for example, and are even beginning to affect Japan, Japan itself is the principal country accused.

The United States is charged with deriving undue advantage from the growth in the world economy which the United States has brought about, and with failing to make a proper contribution to its growth. Recent figures bear this out: the Japanese economy grew by 5.7 per cent in 1976-77, 2.7 per cent of this from exports alone. In addition Japan is

FOREIGN TRADE



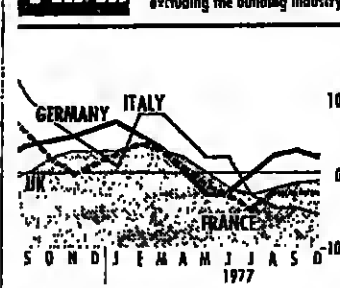
Foreign trade: There is nothing very surprising in West Germany's maintaining the rate of cover of imports by exports (calculated on the basis of a seasonally adjusted) at the high rate of 120 per cent. Much more remarkable is the British achievement of keeping level at 100 per cent. By contrast, the French figure of 86 per cent in November is disappointing, following the successes of previous months.

charged with not importing enough industrial products, which account for only 20 per cent of Japanese imports but 55 per cent of West German imports.

The Japanese meet these charges with astonishment: they have, after all, simply followed the rules of the game as laid down by the Americans. Do these not apply any more? And is free trade now just a joke and a myth, as proclaimed recently by Mr. Meany, leader of the powerful American trade association, the AFL-CIO?

The new Japanese Government formed by Mr. Fukuda under pressure from the dollar and the rise in the value of the yen (which is an increasing source of embarrassment to exporting companies) is preparing for a major policy shift. Simultaneously under attack at home from the Japanese Federation of Economic Organizations (their equivalent of the Confederation of British Industry) and abroad from the Americans, the Government drew up on December 6 a programme designed to stimulate demand and to reduce as quickly as possible the overwhelming trade surplus which is a major irritant to Japan's economic partners.

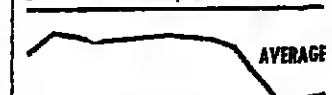
INDUSTRIAL GROWTH



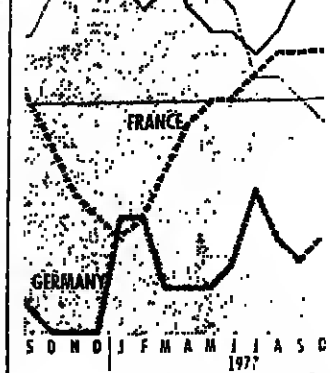
Growth: Estimates based on the revised figures for industrial production show a drop over recent months: the fall has been slight in Britain (-1 per cent), middling in France (-3 per cent) and substantial in Italy (-5 per cent). Only West Germany has shown any rise in production (up by 2.3 per cent).

This programme includes several measures ranging from the expected reduction of customs duty to abolition of import quotas and to promotion of exports of raw materials; it includes an extraordinary budget aimed at expanding economy over 15 months. Will the Government succeed in overcoming opposition to many groups, often based on social considerations, and industries such as the farm, are mainstays of Mr. Fukuda's Liberal Democratic party? eyes are now on Japan, because the relationship with the United States will be an important factor in the economic health of the Western world.

PRICING



DIVERGENCE FROM AVERAGE



Prices: During the past month average inflation in the four countries has risen slightly from 6.75 to 7 per cent. Prices are steady in West Germany up by 0.1 per cent in November. Also notable is the British performance, where the increase of 0.5 per cent in November still keeping to an annual rate of just under 6 per cent. Figures for France (9 per cent) and Italy (12.13 per cent) continue to be disappointing.

United States: comparative situation and influence

Industrial growth ● (●)

The latest figures show that a good level of economic activity was maintained through the third quarter, with gnp growing at an annual rate of 5.1 per cent. Industrial production, however, remained weak, growing by only 0.3 per cent in October and 0.5 per cent in November. The index of leading indicators advanced a further 0.7 per cent in October. The only disquieting sign is a slight downturn in car production in November.

Prices ○ (○)

The indices of retail and wholesale prices are continuing to diverge. Retail prices were quiet, rising 0.3 per cent in October (the same as in September) with food prices rising 0.1 per cent. Wholesale prices on the other hand are increasing much faster (0.7 per cent in November, after an increase of 0.8 per cent in October) under the influence of agricultural prices which rose 3 per cent (2.4 per cent in October).

Unemployment ○○ (○○)

The rate of unemployment has remained almost unchanged, varying between 6.9 and 7.1 per cent of the labour force for more than six months. November's figure of 6.9 per cent is a slight fall from the October level of 7 per cent. Meanwhile the number of jobs created continues to rise (nearly 1,200,000 during the past six months).

Capacity ○ (○)

Although output is holding up well, especially by comparison with the European economies, the rate of capacity use has fallen steadily in recent months, from 83.3 per cent in June to 82.9 per cent in October and November. Capital investment will be 7 per cent higher in 1977 than in 1976, which is well below the target of 9-10 per cent.

Trade ○○○ (○○○)

The massive deficit of \$3,100m in October has brought the cumulative deficit for the first 10 months of 1977 to \$22,400m. These figures are on an fob-fob basis: if converted to the fob-cil basis used in European countries they are respectively \$4,000m and \$31,000m.

Influence on the four countries

Monetary and financial: The sharp drop in the dollar during recent weeks is a considerable embarrassment to West Germany, which has taken protective measures, lowering discount rate from 3.5 to 3 per cent and freezing new deposits by foreigners. In France the overnight interest rate has risen to almost 9.5 per cent and in Britain minimum lending rate, which had been falling for some time, has risen from 5 to 7 per cent.

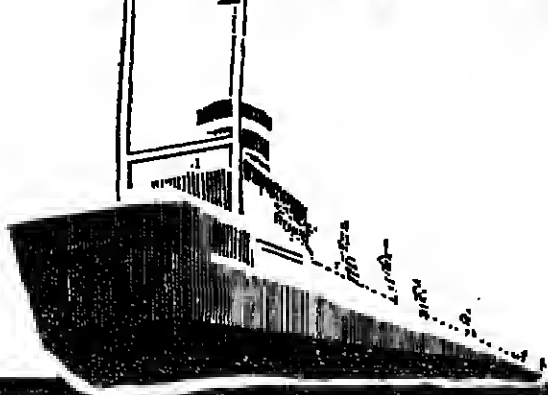
Economic: The fall in the dollar will have a deflationary impact in West Germany and Japan, curbing their exports and output—provided these countries do not adopt expansionary policies. The Japanese Government is considering just such measures, designed to allow Japan to increase imports and reduce its trade surplus. But will they embark on this new task?

○ Poor ○○ Bad ○○○ Very bad ● Fairly good ●● Good () Previous performance

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Platinum resumes its place as most costly metal

by Leo Fischer

"The dearest metal is getting dearer": this was the comment of the Investors' Chronicle on the decision of Russia to raise the producer price of platinum from \$162 a fine oz (31.1 gram) to \$175, with effect from November 28, 1977. The London free market price promptly reacted with an increase of about 13, bringing the price to just over \$175.

Platinum is now quoted at more than \$15 above the gold price, enabling it to refurbish its image as the most expensive metal in the world. Except for short periods, platinum (discovered by Mr. Scheffer, the director of the Swedish Mint) has always been dearer than gold. The most striking reversal of this traditional price relationship happened at the beginning of 1975: at the end of December 1974, the gold price rocketed to \$200, overtaking platinum which had been steady at \$190.

The subsequent slow decline of the gold price was more gradual than the fall in the platinum price, and in April 1975, the average gold price was about \$15 higher than the average platinum price for the same month. In October, 1977, the gold price again briefly rose above the platinum price, but the historic relationship was re-established in November.

In contrast to gold, the speculative demand element plays hardly any part in platinum prices, which are essentially determined by the fundamental relationship of supply and demand.

Japan is the major consumer of platinum, taking about 60 per cent of total production; in the first 10 months of 1977 Japan imported 31.4 tons of platinum, 20 per cent less than in the same period in 1976. In recent months, however, demand has started to pick up in Japan. But it is not clear whether this is a genuine in-

crease in demand, or the result of advance orders aimed at keeping down the rise of the currency, which is attracting more and more criticism, particularly from the United States.

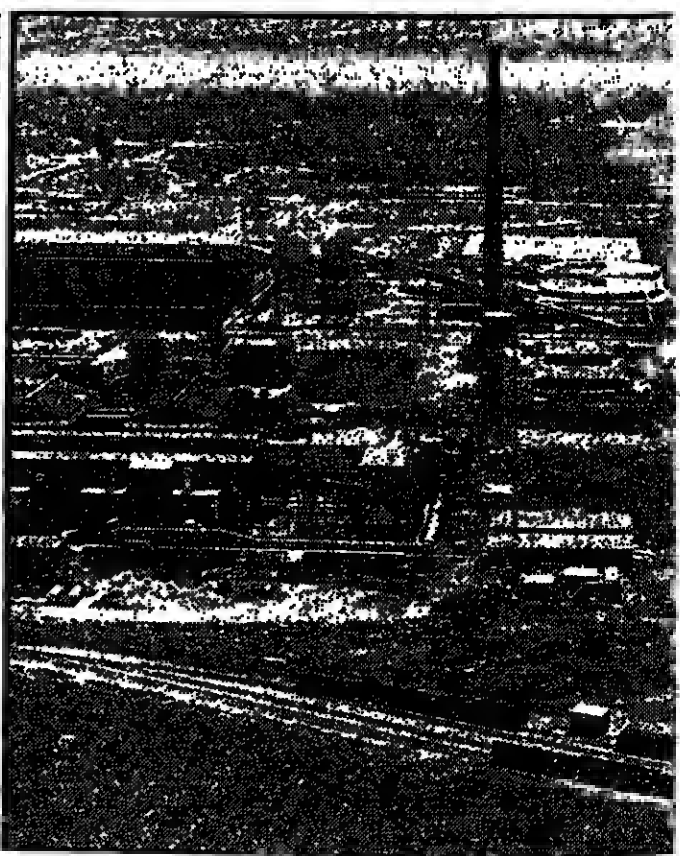
Platinum was "discovered" by the Japanese for jewelry during the period when it was temporarily cheaper than gold, and the jewelry trade now takes the larger part of platinum imports. This use of platinum for jewelry in Japan, however, seems to have passed its peak.

Demand in the United States rose sharply in the first 10 months of 1977: from January to October 1977 the United States imported 20 tons of platinum, six tons more than in the corresponding period of 1976.

The American jewelry trade, despite intensive advertising, is only a fairly small consumer of platinum; the major consumers are particularly the car industry, which needs platinum for exhaust traps, and the glass fibre industry, now experiencing a boom in the United States because of the energy-saving programme. Of the industries which are dependent on platinum, the fastest growing are those concerned with anti-pollution measures; more stringent anti-pollution regulations in America point to further increases in platinum imports.

The largest producer of platinum is South Africa, with an 80 per cent share of the world market. Impela and Rustenburg, the two largest South African producers, are responsible for 60 per cent of world production. It follows that political crises in South Africa will materially affect the platinum price.

The second largest producer is the Soviet Union: there are no exact figures available on the size of Soviet production, and this is a big cause of uncertainty in assessing the platinum market. This uncertainty is increased by the Russian



A platinum mine in South Africa, the world's largest producer of the metal.

sales policy, which is entirely unpredictable, at least for Western experts. Until the past two years the Russians were also regarded as a long-standing cause of uncertainty in the gold market, but recently—marked contrast to their platinum policies—they have been pursuing a sales policy which has been very sensitive to the needs of the market, and has been described even by Swiss bankers as very skilful.

There are no signs of similar applied knowledge of the platinum market at present, where the Russians make occasional great efforts to increase their platinum exports and then withdraw from the market for no apparent reason.

In November the market saw an example of this latter behaviour, with the Russians releasing only small quantities. Degussa reports in its latest market newsletter that these difficulties in getting delivery gave rise to rumours that production delays had arisen in the Soviet Union. It was even suggested that the Russians were actually buying on the world market.

The sharp drop in stocks on the New York Mercantile Exchange (the only exchange trading in platinum) has been attributed in part to these rumours. As the Rustenburg mines have also announced cuts of 10 to 20 per cent in produc-

tion, it seems likely that price will rise in the medium term as a result of the reduction in supply.

Another factor is the future course of the gold price: if it is generally expected, this year, then the platinum price will also have to rise if the historic relation between the two prices is to be preserved.

Platinum is one of the sleeping giants of the commodity markets, for long periods nothing much happens, and when the bulls have given up hope there is a sudden leap in the platinum price. It is clear that interest in this metal is picking up from the rise in turnover for platinum contracts on the New York Exchange in November: on November 21 daily turnover at 1,877 contracts (a contract is for 50 fine ounces) was the highest for one year.

Another good sign was the market reaction to the free market price increase which followed the announcement by Rustenburg of the increase in its supply price. Usually such price rises are followed by profit-taking (sales), but this has not happened this time because traders are clearly also expecting further price increases. The Investors' Chronicle article points to the current low stocks and recommends platinum as "an attractive alternative to gold".

Europa

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Fish quota talks founder on chauvinism

by Ronald Faux

After 18 months of negotiation, the European partners are little nearer any detailed settlement of fishing rights in the North Sea. They accept that conservation measures are necessary in the interest of all but the agreement now under negotiation will settle who takes what share of a sharply reduced catch and what the individual level of sacrifice is to be.

Britain is frankly suspicious about the ambitions of the European fleets. On the eve of British entry to the Community, the six existing partners agreed on a fisheries policy loaded against the United Kingdom. British boats have lost most heavily from reduced access to waters outside the Community's 200-mile limits. Their share of catches in non-Community waters has been reduced by 213,000 tonnes.

Comparable figures for other member states are: West Germany 173,000 tonnes, France 52,000 tonnes, Italy 30,000 tonnes. The British industry is pressing for at least 40 per cent of the North Sea quota because of these three country losses and because 60 per cent of the fish swim in "British" waters. If negotiations fail, a 50-mile unilateral declaration limit should be imposed, it says.

Across the North Sea these arguments are firmly rejected by nations concerned about the future of their own industries and there are growing divisions among the Community partners bordering the North Sea.

Several of them, like Britain, invested heavily in reequipping boats and building new craft on the basis that grants were available and that it was the efficient, technically competent boats which could work most profitably. The cost of re-equipping loans and running the vessels could be met only by good catches. Returns in the early 1970s covered costs and gave fishermen high future expectations. In the words of the European Communities Commission, attempts at caring for stocks have failed miserably and the proverb that there are more fish in the sea than ever came out no longer rings true.

So, how can irreconcilable claims be met and less pillaging of North Sea stocks be enforced? The main weight of German and Italian fishing activity is concentrated outside the North Sea but they are concerned about the principle of their right to fishing there as Community members, particularly if restrictions are placed on their own traditional grounds.

In the North Sea part of the trouble is that fish obey biological rather than bureaucratic laws and for this reason the European fishermen believe the British claims are invalid. If fish breed in the east of the North Sea and then swim to the west that does not mean we are had fishermen as some English suggest. That is a natural law. The Scottish herring, so-called, were spawned in the Skagerrak and Kattegat off Jutland. If we were as irresponsible about taking young fish you can be sure there would be nothing for the Scottish boats to catch, a Dutch skipper told me.

Mr Peter Siemens, manager of the Prunk Fishing Co at IJmuiden, a principal fishing port in Holland, also doubts the British arguments but feared that too severe conservation could save the fish but kill the fishing industry. "The young and the experienced men will simply walk away. The financial compensation has been talked about but is not enough to keep them here," he said.

The Dutch, German and Belgian coasts all have large centres of population and industry close by which could eventually absorb redundant fishermen and many members of the large German distant water fleet are foreign nationals. The particular threat for Holland is to the maize and sugar industry which is slightly at risk, is a raw delicacy for the Dutch palate and lucrative for the fishing industry.

The fate of the *matie* shows what a shift in conservation and political policies can mean for a traditional industry. Since 1780 the Dutch have celebrated the arrival of the first *maties* with flags and festivals. Crews survived the

winter on the expectation of the spring catches which once totalled 12,000 tonnes or more, about one third of the whole Dutch catch. Last year Dutch vessels were restricted to taking only 1,500 tonnes of *matie* and it was with natural grievance that the Dutch fought nearly all their young herring frozen from Denmark.

"Our processing industry is now surviving on imports from Denmark and Canada. We are giving all the opportunities away to Denmark which has a big industrial fleet but now seems to draw no distinction between fish caught for food and for human consumption. The Danish fleet can catch the entire Dutch quota of herring in one day alone and when you realize that our 1,500 tonnes were worth £3m, the scale of the loss to Holland can be appreciated."

There was a general feeling among other EEC members that a drastic reduction would have to be made in the Danish fleet which has the greatest industrial fishing capacity of any of the partners.

Mr Alberto Baldazzi, administrator for structure at Commission headquarters in Brussels, understood the difficulty of member nations keeping a broad view of fisheries policy. Britain did have a strong negotiating point in her losses outside the EEC waters, which had been heavier than those of any other nation, but balanced against that were the 26,722,831 units of account Britain had received from the Community to assist 175 fisheries projects since 1972.

Ireland was the closest to that level with 55 projects (8,555,234 units of account). "That is a very substantial level of assistance and must be taken into account. I think some politicians are going to

have to make a great climb down from their present positions."

Some British projects had been rejected by the EEC because of overall policy, notably a Scottish fish meal company which sought to increase radically the processing capacity for the North Sea. "We refused help because there is no point in paying to reduce Denmark's industrial capacity and at the same moment to increase Scotland's, especially when the whole aim for the next three years or so must be to depress the demands on the North Sea."

The level of compensation which has been agreed for vessels almost to stay in harbour and not catch herring has been set at £147 per tonne normally caught, half paid by the Commission and half by the member government. The scheme will cost some £5.5m next year. The aim is to keep the fleets in existence until the sea stocks recover, but it is doubtful whether fishing boats can be kept under wraps in this way and there is a widespread fear that much of the middle-water fleet of only moderately efficient boats will double unless it is allowed to take commercial quantities of other species.

"All you have to do is compare £147 with the £2,000 per tonne we get at the height of the season for *maties*. The answer is simple: men will walk away from the sea," a Dutch skipper said.

Perhaps this is what the Commission would prefer, with only the fittest boats surviving on much reduced quotas which, for the scarcity value alone, would command far higher prices. Until now the quotas have been determined by the North East Atlantic Fish-

EEC Fishing Industry, 1976

	Belgium	Denmark	France	Germany	Ireland	Italy	Netherlands	UK
No. of Vessels	253	7,444	12,967	1,547	1,258	19,891	1,025	6,703
Total Tonnage	24,044	144,593	275,835	161,000	28,410	256,920	90,351	247,231
Men directly employed	1,015	15,316	32,000	5,158	7,229	65,000	4,327	22,917
Non-powered Vessels No.	—	3,112	—	912	1,222	22,850	12	12
No. over 100 Gross Registered Tons	89	358	607	151	27	247	308	630
Total catch 1,000 tons	44.5	1,878	691.4	431.4	80.7	376.6	246.2	931.8
Value in \$m	37.3	289.5	626.0	157.4	22.9	351.0	166.0	373.6
Total aid from EAGGF 72-76 in ua	1,412,060	374,827	6,763,051	8,672,881	8,555,234	5,886,318	5,509,783	26,722,831

From statistics supplied by the European Commission.

Britain ready to increase trade with China

by Derek Harris

There is not much doubt that more trade will be done this year between Europe and the People's Republic of China. Auguries that the main benefits will go to the United Kingdom and France are good, particularly with Britain hovering on a deficit in trade with China.

West Germany, which has had double the exports to China compared with France and treble those of Britain, is on the other hand, showing a heavy deficit with Peking. Although West Germany and Japan have lately been China's main suppliers of technology goods, Peking still stands solidly on the Maoist ethic of self-reliance, which in this context means striking a balance of trade.

The Chinese appear to have been going out of their way to play down Japan's trade role, so something similar could happen to West Germany. At any rate when Mr Li Chiang, Peking's Foreign Trade Minister, made his first trip to Europe last month it was the United Kingdom and France he visited. More technical missions are due soon to follow up Mr Li's visit, which was restricted to generalized talks, with briefs for detailed buying.

It might be noted on the margin that Italy, too, has been in a trade deficit with China. But one impression left by Mr Li's delegation was that there will be some tough bargaining ahead on prices of industrial equipment, possibly with a need for governments to help in keeping these at the sort of bargain-basement level already set by Japan and West Germany.

The question now is what exactly the Chinese are interested in and what in detailed terms European companies are likely to gain. Two recent trade delegations to China from Britain—one was organized by the Sino-British Trade Council and the other led by Lord Roll of Ipsden, chairman of S. G. Warburg, the merchant bankers—came back with the message that Peking now the dust of the "gang of four" affair has settled, intends to modernize as speedily as possible.

To do this the Chinese are prepared to buy a considerable amount of Western technology, although this is not necessarily a wide need. There is always the touchstone with the Chinese, too, that a new technology needs to be wrapped up in a specific product that they will buy. Again there is the

background theme of self-sufficiency.

Lord Roll, whose forecast was that Britain's exports to China—worth £68.2m last year—should at least double in the next 12 to 18 months, was clear about the main categories interesting Peking. They were oil drilling and exploration equipment, coalmining equipment, the power generation, chemical and metallurgical fields, and equipment for communications and transport.

The Chinese are likely to import considerable quantities of non-ferrous metals for some time and represent a likely market in equipment for the prospecting, mining and processing of ores. They could also need smelters for aluminium, copper, lead and zinc.

This selection of the main categories was borne out during Mr Li's visit to Britain. He particularly singled out coal-mining equipment as an item the Chinese would want to order in quantity. The Chinese have obviously been pleased with British equipment already in use in China's massive coal industry.

It is clear that China is not interested in consumer goods as such. But that would not preclude, say, food processing equipment. There is a range of other possibilities from books to banknotes.

While Peking is likely to be buying technology goods from nationalized bodies such as British Steel Corporation, British Rail and British Aerospace, it could well mean that private sector companies would enter the picture as ancillary suppliers.

The Sino-British deal under which Rolls-Royce Spey engines will be produced under licence shows how this can work. Although China's machine tool industry has expanded in the past few years and now produces a wide range of tools, the Spey project will need imports of specialized tools.

It is an illustration, too, of the way the Chinese will buy an advanced technology wrapped in a particular product.

Some of the more obvious opportunities for medium-sized and smaller companies lie in scientific instruments, various sorts of machinery both electrical and non-electrical, and in synthetic chemicals.

Since textiles is one of China's leading industries, with potential for additional exports from China, thus helping to maintain trade balances, much of the future growth in this sector will come from synthetic fibres. This should mean imports of synthetic yarn and thread and, as imported

fibre plants come on stream, textile machinery for synthetic.

China has large natural gas reserves still to be developed which is likely to mean buying in specialized equipment from liquefaction tanks to pipelines. Downstream activities from oil form a sector particularly rich in opportunity, with plants still needed for a wide range of products from dibasic acids and pvc to synthetic rubber and leather.

In France the Chinese have been making a particular study of telecommunications equipment. The Chinese are looking for technical cooperation to help with Peking's plan to modernize and automate the Chinese telephone system. But there is also interest in facsimile equipment and data-transmission systems.

Overall the economic guidelines—hardly exact because of the paucity of data on the Chinese economy—are that from this year gross national product should increase by at least 7 per cent annually, with industrial production probably growing by about 10 per cent a year. Agricultural production growth looks likely to be about 3 per cent a year.

For the businessmen aiming at exports to China, establishing links can work at several levels. Where big projects are concerned the Chinese will probably send over technical missions and a foreign company may, by invitation, be asked to send its own experts to China.

At a lower level a company should send a full technical description to the appropriate state corporation—there are more than a dozen—which are the country's buying agencies. If the Chinese are interested, counsellors will follow, usually through the Chinese embassy in the country concerned. Specialists look after the individual needs of each of the main buying corporations.

The Kwangchow Fair—the former Canton Fair—which is primarily a showwindow for Chinese goods, every spring in autumn offers the chance to get to know individual Chinese well up in the trading hierarchy. Visas are more easily obtained now.

Mrs Helen Sasson, managing director of Business Perspectives, which with *The Times* organized the Roll delegation, and broke new ground with a symposium presentation to leading Chinese, is not alone in believing a business pilgrimage to Kwangchow can pay off in learning the wrinkles on how things are done in China. Delegations and presentations also can go some way to creating a favourable climate of opinion, she feels.

Canada: new diplomatic and industrial policies take shape

by Jacqueline Grapin

The main building of the laboratories of Northern Telecom in the suburbs of Ottawa is a platitude in glass and cement surrounded by acres of lawn, testifying to the cheapness of land there in comparison with land in Europe. Once one has arrived, and been shown into the president's office, it takes a few minutes' conversation to be convinced that there has not been some error.

Despite the youthful appearance of this doctor of physics and electrical engineering, which makes a European accustomed to the virtues of seniority mistake him at first for a personal assistant, his manner has the authentic stamp of a manager.

Charles Denis Hall is head of the 2,200 researchers in the Northern Telecom group, which has 25,000 employees, and is itself part of Bell Canada (45,000 employees). The research subsidiary of which he is president has an annual turnover of \$50m. Since 1958 it has recruited the best experts in its field from Canada and throughout the world. Today the average age of the research staff is still only about thirty. As they get older they will be offered other appointments in the group to make way for the next generation of technological young Turks.

Denis Hall will be all of forty next year. Everything around him smacks of America. And yet does he not epitomize the conscious and successful attempt to keep the United States at arm's length? His group is one of the most powerful multinationals in the world and can hold its own technologically with that to any other country. He exudes a sense of achievement.

The overlapping of the Canadian and United States economies is a fact of life. The United States provides the market for almost 70 per cent of Canada's exports and is the source of roughly the same proportion of its imports. It accounts for some 80 per cent

of total foreign investment in Canada and attracts more than half of that country's investment abroad. A very substantial proportion of Canadian industry is United States owned, and it will be remembered that the Canadians took none too kindly to the rallying cry of "Vive le Québec libre" launched by General de Gaulle from a balcony of the Montreal town hall in 1967. Since then the "third option" policy launched in 1972 by the Trudeau Government, with the aim of giving Canada an alternative policy vis-à-vis the United States by building new relationships, notably with the European Community, may seem to have become to North America what Quebec represents in Canada.

Intellectually, this idea has taken a bold, it is abundantly clear that a new renaissance has crept into Canada's attitude to the United States since President Nixon's decision to end the convertibility of the dollar and to impose a tax on foreign transactions. In 1971 Canada found itself, so to speak, turned out of doors by the United States, but still senses to its Soudan Ottawa began to have thoughts of autonomy, wanted Canada to appear in its own right in the major international negotiations, no longer content to remain in the shadow of its powerful neighbour and made up its mind to make the weight of its substantial resources count.

The outcome of this was, in diplomatic terms, a not inconsiderable success. Was not Canada joint chairman of the North-South conference? Did it not figure among the seven major powers which met at the economic summit in London a few months ago? Had it not succeeded in establishing a permanent delegation to the European Community in Brussels, and with it a permanent presence?

Its ambassador in Brussels, Mr Marcel Cadieux, is one of the most dynamic members of the Diplomatic Corps despite being of retirement age. He claims that "multilateral relations with the EEC can be combined with bilateral relations with the various European countries in all spheres in which the Community acquires jurisdiction," and comments mischievously that this also enhances the status and power of the Commission.

Each according to his own interests perhaps, but it is a fact that on many points, whether of Mediterranean policy, positions on Palestine or Cyprus, the defence of democracy (in Greece or Portugal for instance) or preponderance to the aspirations of the developing world, Canada and Europe can lend strength to

each other's positions, just as they can give each other mutual support in dealings with the World Bank, the International Monetary Fund and the United Nations. Nor is it difficult to understand that Canada, with its vast financial resources, is complementary to Europe. It is well placed to adopt a real policy of non-alignment.

But can logic prevail over circumstances so short a time? American solidarity is such in practice that Canadian businessmen, however convinced they may be of the desirability of a "third option", have no clear conception of how it would work in practice. True, since Britain's accession, the EEC is comfortable Canada's second largest trading partner after the United States. But it takes only 12 per cent of its exports and supplies only 8 per cent of its imports.

Again, the EEC is the second source of direct investment in Canada, but it accounts for only 15 per cent of the total. Similarly, Canada is a long way behind the United States in terms of investment and market share in Europe.

"Contractual relationship, what does that mean?" was the irrelevant retort of a senior civil servant at the Ministry for Industry responsible for industrial expansion in Ottawa. The outline agreement on commercial and economic cooperation between Canada and the EEC which came into force on October 1, 1976, is indeed, despite its high-sounding title, couched in such general terms that it could be said to be meaningless. At the same time, as

always in such cases, it could be said that it means everything. The Canadian Diplomatic Service has tended to adopt the latter interpretation, and if the business community is dragging its feet.

Public funds are being allocated to the development of trade with Europe. There have been several official economic missions (two large ones to Brussels in March and September, 1977). Joint committees on cooperation have been set up officially in Ottawa under the aegis of the Canadian Ministry for Industry and groups of specialists are already at work on a series of industries and products: paper, timber, aviation telecommunications, non-ferrous metals and the nuclear industry, in which Canada's role as a supplier of uranium is potentially all-important.

However, people in Europe seem slow to appreciate that, although the Canadians are keen to establish a degree of autonomy, they are very particular about exactly what this means—it is rather a case of "more Canadian than thou". Alongside the new diplomacy, a new industrial policy is taking shape. Canadian exports to the Community consist largely of crude oil (somewhat less than two thirds), semi-manufactures (including minerals, timber and pulp) and food products, mainly wheat (one eighth of the total). Finished manufactures account for only about 10 per cent of the total.

It is hardly surprising that the importance of raw materials should loom so large in a country which is bigger than the United States and six times the size of the nine EEC countries put together, but our is it surprising that it should be anxious to develop its industry and generate employment. Between 1961 and 1973 Canada increased production of motor vehicles by 327 per cent, cars by 444 per cent (Detroit, of course, is on the doorstep) and crude steel by 136 per cent. The Canadians have no intention to rest on their laurels. For them, the "contractual relationship" must be a means of developing their industrial policy or it will be nothing at all.

From Saskatchewan to Quebec, by way of Ontario and Manitoba, there is as much difference as between organized, liberal West Germany and unbridled, technocratic France. The common authority over them all is eager to do so much, and so well, that it sometimes fails. But it keeps on trying. There is indeed much similarity between Canada and Europe. Until the year 2000 at least, the United States will keep the lion's share.

Essay prize

What does Europe mean to you? Does it evoke a personal experience? Is it an abstract ideal, a political reality or an intellectual challenge? How do you feel about it? The European Cultural Foundation, in Amsterdam, and Europa would like to know. The foundation is prepared to award the writer of the best essay on the theme "Europe is..." a prize of 3,000 florins. Entries should be between 1,000 and 1,500 words in length and should be submitted to the European Cultural Foundation, 5 Jan van Goyenkade, Amsterdam 1007, The Netherlands, by January 31. Essays will be considered by a panel of judges drawn from the European Cultural Foundation and Europa and the winning entry will be published in the April, 1978 issue of Europa.

Business Perspectives in association with The Times present a conference:

CHINA AND BRITAIN - THE PROSPECT FOR TRADE

Chairman:

Lord Roll, Chairman of S. G. Warburg & Co. Ltd.

Speakers:

The Rt. Hon. Edmund Dell, MP, Secretary of State for Trade.

The Rt. Hon. Edward Heath, MP, former Prime Minister of Great Britain.

Sir John Keswick, KCMG, Matheson & Co. Ltd.

Mr. Peter Marshall, MBE, Sino-British Trade Council.

Lord Robens, Chairman of Vickers Ltd.

Mr. Kenneth Thorogood, Executive Chairman of Tozer, Kensley & Millbourn (Holdings) Ltd.

This conference is being organised to enable those companies interested in trading with The People's Republic of China to hear the more detailed conclusions of the two most recent missions of senior industrialists which returned from China in October and November.

Those attending will be able to assess the resources and emphasis which their companies should allocate to the substantial opportunities which this market presents, both in the immediate and long term, and will also gain an insight of how to approach this.

The Royal Lancaster Hotel, London 6th February, 1978

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هكذا من الاميل

Hay's Wharf resuming its former property tag

be beaten, according to market sources.

Alison Mitchell

Board meetings for this week include:

TODAY—Interims—St George's Laundry (Worcester). Finals—Winterbonhom Text.

WEDNESDAY—Interims—Smith, Wallis & Co. Finals—Ward (Thos W.), and Westland Aircraft.

THURSDAY—Interims—Esperanza Trade & Transport, Foulds & Co. Bros. & Co., Morgan Crucible (9 months), Razzini (Jewellers), Reliant Motor Gp. and F. H. Tomkins. Finals—Allied Breweries, S. & W. Beristford, and Birmingham Fairs.

FRIDAY Interims—Samuel Heath & Sons, Geovor Tint Mines, and Knott Mill Holdings.

[illegible]

* 7 day deposits at 4%
\$10,000 and under 4%
10 25,000 4%
25,000 5%

[illegible]

Capitalisation £000's	Company	Pence Friday	Change on Thurs.	Vid	P/E
1,950	Airsprung Ord	39	-2	4.2	10.3
355	Airsprung 18½ CULS	142	+6	18.4	13.0
900	Armitage & Rhodes	36	+3.3	9.2	15.3
4,368	Bardon Hill	143	+12.0	8.4	9.8
2,685	Deborah Ord	101	+2	5.1	5.2
211	Debresh 17½ CULS	211	+17.5	8.0	—
20,225	Federick Banker	140	+3	61.5	6.9
1,200	Jackson Group	48	+5.6	10.0	5.6
15,181	James Burrough	110	+1	3.5	10.1
3,213	Robert Jenkins	315	+3	27.0	8.5
3,419	Twinlock Ord	16	+2	—	—
1,938	Twinlock 12% ULS	71	+1	12.0	16.9
3,177	Unwack Holdings	73	+3	7.0	9.0
5,242	Walker Alexander	83	+3	6.4	7.7

§ Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)

1976	171.80	(80.00.75)	318.83	(27.10.76)
1975	156.92	(28.11.75)	67.43	(05.01.75)
1974	138.18	(29.02.74)	80.16	(12.12.74)
1973	189.33	(22.01.73)	120.99	(14.12.73)
1972	189.41	(15.09.72)	174.48	(10.03.72)

* Flat interest yield.

